

THE TORONTO STOCK EXCHANGE

FILING STATEMENT NO. 1035.
FILED, FEBRUARY 13th. 1964.

NATIONAL HEES INDUSTRIES LIMITED

Full corporate name of Company
Incorporated under the Companies Act (Canada) by
letters patent dated the 30th day of June, 1954
Particulars of incorporation (e.g., Incorporated under Part IV of the Corporations Act, 1953
(Ontario) by Letters Patent dated May 1st, 1957). Reference is made to previous
Filing Statement No. 967.

FILING STATEMENT

(To be filed with respect to any material change in a company's affairs, including among other things,
an underwriting and option agreement, an issue of shares for property and a proposed re-organization.)

1. Brief statement of the material change in the affairs of the company in respect of which this statement is filed.	See Schedule "A" on page 4.
2. Head office address and any other office address.	278 Davenport Road, Toronto 5, Ontario.
3. Names, addresses and chief occupations for the past five years of present or proposed officers and directors.	<div>Alfred Theodored Holland, 93 Post Road, Don Mills, Ontario. Chartered Accountant and Management Consultant. President, Treasurer and Director.</div> <div>Donald Ross Cleveland, P. O. Box 7, R. R. # 1, Islington, Ontario. Management Consultant. Chairman of the Board of Directors and Director.</div> <div>John Arthur McCamus, 609 Avenue Road, Toronto, Ontario. Director.</div> <div>B. Hewson Breckenridge, 92 Main Street South, Georgetown, Ontario. President of Varian Associates of Canada Ltd. Director.</div> <div>Robert Douglas Watt, 65 Hurlingham Crescent, Don Mills, Ontario. Production Executive - Barber Green Canada Ltd. to January 1, 1963; Vice- President and General Manager of the Company since that date. Vice-President, General Manager and Director.</div> <div>Philip Flagler Boylen, 59 Great Oak Drive, Islington, Ontario. Executive. Assistant Secretary and Director.</div> <div>Willem George Poolman, 295 Glencairn Avenue, Toronto 12, Ontario. Barrister and Solicitor. Secretary and Director.</div> <div>Jan Jerzy Sapinski, 59 Alamosa Drive, R. R. # 1, Don Mills, Ontario. Chartered Accountant - Deloitte, Plender, Haskins & Sells to May, 1962; Com- ptroller National Hees Industries Limited since that date. Comptroller</div>
4. Share capitalization showing authorized and issued and outstanding capital.	<div>Authorized Capital - 300,000 First Preferred Shares of the par value of \$10.00 each, issuable in series, of which 150,000 of the said First Preferred Shares are designated First Preferred Shares 1963 Series; 300,000 Second Preferred Shares of the par value of \$1.00 each and 1,000,000 Common Shares without nominal or par value.</div> <div>Outstanding Capital - First Preferred Shares 1963 Series 68,630 Second Preferred Shares 150,000 Common Shares 63,350</div>

5. Particulars in respect of any bonds, debentures, notes, mortgages, charges, liens or hypothecations outstanding.	<p>(a) By mortgage dated the 7th day of August, 1963 between the Company as Mortgagor and Coronation Investment Company Limited as Mortgagee, the Company mortgaged and charged all of its real property to secure the principal amount of \$830,000 with interest at the rate of 12% per annum. The said mortgage becomes due and payable on the 15th day of June, 1968.</p> <p>(b) Pursuant to the Plan of Reorganization between the Company and the holders of its General Mortgage Bonds which became operative and binding on August 14, 1963, the Company was and is required, at the time such Bondholders exchange their bonds for First Preferred Shares 1963 Series, to deliver to such Bondholders promissory notes in the amount of \$55 for each \$500 principal amount of bonds surrendered. The said promissory notes are non-interest bearing and become due and payable on the 15th day of August, 1968. Up to the date hereof the Company has issued in the principal amount \$56,513.50 of such promissory notes and may become obligated to issue an additional \$18,260.00 of such notes.</p> <p>(c) The Company is indebted to its bankers, The Toronto-Dominion Bank, for current bank loans in the amount of \$68,500.00. The Company's bankers have received the usual security on the accounts receivable and inventory of the Company.</p>
6. Details of any treasury shares or other securities now the subject of any underwriting, sale or option agreement or of any proposed underwriting, sale or option agreement.	<p>The Company has granted to each of Messrs. A. T. Holland and D. R. Cleveland, the President and Chairman of the Board of Directors of the Company respectively, the option to purchase 10,000 Common Shares of the Company at a price of \$3.00 per optioned share. The said options may be exercised at any time and from time to time until the 29th day of February, 1968. These options were approved by the shareholders of the Company at the Company's annual meeting held on the 27th day of December, 1963.</p>
7. Names and addresses of persons having any interest, direct or indirect in underwritten or optioned shares or other securities or assignments, present or proposed, and, if any assignment is contemplated, particulars thereof.	<p>Alfred Theodored Holland, 93 Post Road, Don Mills, Ontario.</p> <p>Donald Ross Cleveland, P. O. Box 7, R. R. # 1, Islington, Ontario.</p>
8. Any payments in cash or securities of the company made or to be made to a promoter or finder in connection with a proposed underwriting or property acquisition.	<p>No such payments are contemplated.</p>
9. Brief statement of company's future development plans, including proposed expenditure of proceeds of sale of treasury shares, if any.	<p>The Company is making investigations as to suitable investments particularly with a view to the acquisition of a profitable business or businesses. It is the Company's present intention to exercise the option referred to in Item 1 hereof.</p>
10. Brief statement of company's chief development work during past year.	<p>During the past year the Company has been engaged in the manufacture of drapery hardware, aluminum moldings, pillows, the manufacture and processing of silver plate and the renting of properties.</p>
11. Names and addresses of vendors of any property or other assets intended to be purchased by the company showing the consideration to be paid.	<p>N/A</p>
12. Names and addresses of persons who have received or will receive a greater than 5% interest in the shares or other consideration to be received by the vendor. If the vendor is a limited company, the names and addresses of persons having a greater than 5% interest in the vendor company.	<p>N/A</p>
13. Number of shares held in escrow or in pool and a brief statement of the terms of escrow or the pooling agreement.	<p>none.</p>

14. Names and addresses of owners of more than a 5% interest in escrowed shares and their shareholdings (If shares are registered in the names of nominees or in street names, give names of beneficial owners, if possible.)

N/A

15. Names, addresses and shareholdings of five largest registered shareholders and if shareholdings are pooled or escrowed, so stating. If shares are registered in names of nominees or in street names, give names of beneficial owners, if possible, and if names are not those of beneficial owners, so state.

The following is a list of the five largest registered shareholders of each class of shares in the capital of the Company:

Name	Common Shares Held
S. J. Brooks & Co., 185 Bay Street, Toronto, Ontario.	30,502 (these shares are beneficially owned by The Great West Saddlery Company Limited).
Hugh Paton and Hubert Cox jointly, c/o Malcolm Robb, Q.C., 2 King Street West, Toronto, Ontario.	4,359
Hugh H. Lawson, 78 Chestnut Park, Toronto 5, Ontario.	3,333
Milton Unger, 1270 6th Avenue, New York 20, New York, U.S.A.	1,666
Frederick Webb, c/o J. J. Carthy, Q.C., 250 University Avenue, Toronto, Ontario.	1,666
The Great West Saddlery Company Limited, 278 Davenport Road, Toronto 5, Ontario.	150,000

Name	First Preferred Shares 1963 Series Held
Crown Trust Company, Trustee for the holders of 5½% General Mortgage Sinking Fund Bonds of National Hees Industries Limited, 302 Bay Street, Toronto, Ontario.	10,890 (these shares are held by the Crown Trust Company for the holders of General Mortgage Bonds of the Company who have not exchanged their bonds for shares).
S. J. Brooks & Co., 185 Bay Street, Toronto, Ontario.	6,432 (these shares are beneficially owned by The Great West Saddlery Company Limited).
Guaranty Trust Company of Canada as trustee for the holders of 5½% First Mortgage Sinking Fund Bonds of National Hees Industries Limited, 366 Bay Street, Toronto, Ontario.	3,990 (these shares are held by Guaranty Trust Company of Canada for the holders of First Mortgage Bonds of the Company who have not exchanged their bonds for shares).
Meck Developments Ltd., 418 Scarboro Avenue, Calgary, Alberta.	610
Miss Annie J. Ritchie, c/o National Trust Company Limited, P.O. Box 90, Hamilton, Ontario.	425

SCHEDULE "A"

SCHEDULE TO FILING STATEMENT OF
NATIONAL HEES INDUSTRIES LIMITED
DATED FEBRUARY 13, 1964.

By an agreement made the 9th day of January, 1964 between the Company and Exchequer Investments Limited (Exchequer), the Company has agreed to sell all of its real estate holdings (which are substantially all of its assets) to Exchequer for \$1,050,000.00, to be satisfied by the assumption of an existing mortgage (details of which are disclosed in Item 5(a)) in the amount of \$830,000.00 and cash on closing of \$220,000.00. Pursuant to the agreement, the Company is to lease back from Exchequer sufficient premises for its present use at an annual rental of \$10,000.00. The agreement is subject to approval by the shareholders of the Company.

Contemporaneously with the signing of the said agreement, the Company, as Optionee, entered into a further agreement dated the 9th day of January, 1964 with Greenwin Construction Company and Kilmer Van Nostrand Limited, the owners of all the issued and outstanding common shares of Exchequer, as Optionors, and certain others as guarantors pursuant to which:

(i) The Company is given an option to purchase all or any part of 50% (2,000) but not less than 25% (1,000) of the outstanding common shares of Exchequer from the Optionors at an option price of \$.01 per common share upon the condition that the Company lend to Exchequer at the time of the exercise of the option such proportion of \$220,000.00 as the number of shares to be purchased bears to 2,000.

(ii) The said option is exercisable 60 days after whichever shall be the later of November 1, 1964 or the date upon which the Optionors give notice that the Ontario Municipal Board has approved an application for the rezoning of the lands and if such Ontario Municipal Board approval is not obtained by November 1, 1965 then within 30 days thereafter.

(iii) The Optionors intend to apply for rezoning of the lands purchased by Exchequer from the Company and thereafter to develop the same for apartment building and/or commercial purposes. The financing of the development is to be arranged by the Optionors subject to the Company being able to arrange more advantageous terms.

(iv) Construction upon the lands will be controlled by the Optionors and Greenwin Construction Company will be retained as general contractor on a cost plus basis.

(v) The Optionors and the Company have agreed to a buy/sell arrangement providing for the purchase after completion of construction by either the Optionors or the Company of the other's shares in Exchequer and for rights of first refusal in the event that either party should receive a bona fide offer from a third party which it is prepared to accept. The agreement also provides that in the event of the bankruptcy of either the Optionors or the Company the other shall have the right to purchase the shares of the bankrupt for their net book value.

(vi) The Company has the right upon paying its share of the costs to participate equally with the Optionors in any additional development which they propose to undertake within the blocks which contain the lands owned by the Company.

Copies of the foregoing agreements are on file with the Exchange and are available for inspection upon request.

FINANCIAL STATEMENTS

NATIONAL HEES INDUSTRIES LIMITED
(Incorporated under the Laws of the Government of Canada)
INTERIM UNAUDITED BALANCE SHEET - AS AT DECEMBER 31, 1963

ASSETS		LIABILITIES	
CURRENT ASSETS :		CURRENT LIABILITIES:	
Cash on hand	\$ 110.00	Bank loan - secured	\$ 68,000.00
Cash on deposit (Note 1)	45,030.53	Bank overdraft	9,348.00
Accounts receivable	\$ 93,726.75	Accounts payable & accrued charges	158,576.68
Less allowance for doubtful accounts	41,018.64	Due to parent--The Great West Saddlery Company Limited	29,112.24
Inventories--at lower of cost or market	21,758.83	Due to directors	365.00
Prepaid Expenses	11,279.81		
Due from affiliate--Richardson Construction Company Limited	6,833.39	Total Current Liabilities	265,401.92
Total Current Assets	137,720.67		
FIXED ASSETS - (Note 2):		DEFERRED LIABILITIES:	
Land, buildings and equipment	2,392,248.28	Accounts payable (Note 3)	\$ 34,481.00
Less accumulated depreciation	305,216.83	Mortgage payable (Note 4)	830,000.00
		Notes payable - due August 15, 1968	80,355.00
Net Fixed Assets	2,087,031.45	Total Deferred Liabilities	944,836.00
OTHER ASSETS:		SHAREHOLDERS' EQUITY:	
Reorganization expenses	36,569.42	Capital stock -	
Deferred mortgage expense	24,833.66	Issued and fully paid	
		19,810 first preferred shares-1963 series-July 1, 1963	198,100.00
Total Other Assets	61,403.08	43,830 shares issued on conversion of general mortgage bonds	438,300.00
		4,990 shares issued on conversion of first mortgage bonds (Note 1)	49,900.00
		68,630 shares	686,300.00
		150,000 second preferred shares	150,000.00
		63,350 common shares	151,915.08
		Excess of appraised value of fixed assets over depreciated cost (Note 2)	1,004,672.53
			1,992,887.61
Signed on behalf of the Board:		Deficit	
..... A. H. W.	Director	Balance July 1, 1963	1,339,195.83
..... P. J. B.	Director	Loss for period	13,358.27
			1,352,554.10
		Less: Adjustment of prior years' profits	8,663.77
		Surplus arising on conversion of:	
		general mortgage bonds	292,200.00
		first mortgage bonds	134,720.00
			435,583.77
		Net Shareholders' Equity	1,075,917.28
			\$2,286,155.20
		TOTAL	

NOTE: The attached notes form an integral part of this Balance Sheet.

NATIONAL REES INDUSTRIES LIMITED
NOTES TO BALANCE SHEET
AS AT DECEMBER 31, 1963

1. The Balance Sheet reflects the issued capital of the Company and cash on deposit at February 11, 1964. The 4,990 First Preferred Shares, 1963 Series, issued upon conversion of 5 $\frac{1}{4}$ % First Mortgage Sinking Fund Bonds are issued pursuant to the Plan of Reorganization dated March 12, 1963, and represent \$49,900.00 principal amount of such bonds for which the holders did not elect to take cash at the rate of 80% of the principal amount thereof.
2. Fixed Assets are stated at depreciated values determined as of 10th December 1952 by Dominion Appraisal Company Limited, plus subsequent additions at cost less retirements, and less depreciation of \$205,000.00 to 30th June 1954. The resulting excess of \$1,401,602.00 over the cost to the Company has been transferred to "Excess of Appraised Value of Fixed Assets over Depreciated Cost."
3. On 5th February 1960 an agreement between the Company and its unsecured creditors terminating on 25th March 1965 was approved. The payments due to date have been made. The payment due 25th March 1964 in the amount of \$34,430.00 has been included in Current Liabilities.
4. Mortgage--due June 15, 1968:
Principal and interest payable monthly as follows:
 - (a) Interest only at the rate of 12% per annum up to and including June 15, 1965,
 - (b) \$14,524.00 on account of principal plus interest at the rate of 12% per annum from July 15, 1965 up to and including May 15, 1968.
5. The Directors have determined that dividends on the First Preferred Shares, 1963 Series, will accrue from 14th August 1963.

NATIONAL HEES INDUSTRIES LIMITED
STATEMENT OF SOURCES AND APPLICATION OF FUNDS
FOR SIX MONTHS ENDED DECEMBER 31, 1963

	June 30, 1963	December 31, 1963	Working Capital: Increase	Decrease	
CURRENT ASSETS:	\$	\$	\$	\$	\$
Cash	305.00	110.00	45,031.00	195.00	150,000.00
Cash on deposit	-	45,031.00			9,073.00
Accounts receivable	75,416.00	52,708.00		22,708.00	
Insurance claims	430,206.00	-		430,206.00	
Inventories	62,100.00	21,759.00		40,341.00	
Prepaid expenses	11,485.00	11,280.00			\$ 12,000.00
Due from affiliate	-	6,833.00			6,749.00
	<u>579,512.00</u>	<u>137,721.00</u>			<u>18,749.00</u>
CURRENT LIABILITIES:					
Bank loan	484,000.00	68,000.00	416,000.00		830,000.00
Bank overdraft	12,542.00	9,348.00	3,194.00		<u>24,834.00</u>
Accounts payable	244,042.00	158,577.00	85,465.00		
Taxes payable	2,733.00	-	2,733.00		13,358.00
Mortgage payments	56,534.00	-	56,534.00		<u>8,664.00</u>
Due to parent	35,516.00	29,112.00	6,404.00		
Due to affiliate	13,298.00	-	13,298.00		978,294.00
Due to directors	<u>365.00</u>	<u>365.00</u>			<u>4,694.00</u>
	<u>849,030.00</u>	<u>265,402.00</u>	<u>635,492.00</u>	<u>493,655.00</u>	
WORKING CAPITAL DEFICIENCY	269,518.00	127,681.00			9,672.00
DECREASE IN DEFICIENCY OF WORKING CAPITAL (Schedule 2)	<u>\$269,518.00</u>	<u>\$269,518.00</u>	<u>\$635,492.00</u>	<u>\$635,492.00</u>	105,623.00
					111,882.00
					\$1,524,400.00
					Less: Stock issues on conversions 488,200.00
					Gain on conversions 426,920.00
					<u>915,120.00</u>
					609,280.00
					<u>836,457.00</u>
					<u>\$141,837.00</u>
					DECREASE IN DEFICIENCY OF WORKING CAPITAL (SCHEDULE 1)

16. Names, and addresses of persons whose shareholdings are large enough to materially affect control of the company.	The Great West Saddlery Company Limited, 278 Davenport Road, Toronto 5, Ontario.
17. If assets include investments in the shares or other securities of other companies, give an itemized statement thereof showing cost or book value and present market value.	N/A
18. Brief statement of any lawsuits pending or in process against company or its properties.	<p>The Company is involved as Defendant in three law suits:</p> <ol style="list-style-type: none"> 1. Chas. Versteeg Studios Ltd. is claiming damages in the amount of \$333.55 for damages suffered by it as a tenant as a result of a fire on the premises (no action has been formally commenced). 2. Parkdale Novelty Co. Limited is claiming approximately \$250.00 damages for breach of a lease. 3. Apeldoornse Messenfabriek N.V. and Jankok Limited are claiming \$2,500 for breach of contract. <p>The Company is defending all of the above actions or denying liability for the claims.</p>
19. The dates of and parties to and the general nature of every material contract entered into by the company which is still in effect and is not disclosed in the foregoing.	none.
20. Statement of any other material facts and if none, so state. Also state whether any shares of the company are in the course of primary distribution to the public.	By agreements dated the 14th day of November, 1963 the Company disposed of its hardware department and aluminum inventory for a total price of \$14,893.71. \$5,400.00 was paid on closing and the balance secured by twelve promissory notes with interest at the rate of 6½% per annum each payable on the 15th day of the month commencing December 15th, 1963. All notes to date have been paid together with interest thereon. There are no other material facts and no shares of the Company are in the course of primary distribution to the public.

CERTIFICATE OF THE COMPANY

DATED February 11, 1964

The foregoing, together with the financial information and other reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above and in respect of the company's affairs and there is no further material information applicable. (To be signed by two principal signing officers who are directors and the corporate seal to be affixed.)

"A.T. Holland"

"D.R. Cleveland"

NATIONAL HEES INDUSTRIES LIMITED

A.T. Holland **CORPORATE SEAL**

CERTIFICATE OF UNDERWRITER OR OPTIONEE

Chairman of the Board

To the best of my knowledge, information and belief, the foregoing, together with the financial information and the reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above in respect of the company's affairs. Concerning matters which are not within my knowledge, I have relied upon the accuracy and adequacy of the information supplied to me by the company. (To be signed by underwriter or optionee registered with the Ontario Securities Commission or a corresponding body.)

THE TORONTO STOCK EXCHANGE

FILING STATEMENT NO. 1352.
FILED, SEPTEMBER 17th. 1965.

NATIONAL HEES INDUSTRIES LIMITED

Full corporate name of Company
Incorporated under the Companies Act (Canada)
by letters patent dated the 30th day of June, 1954
Particulars of incorporation (e.g., Incorporated under Part IV of the Corporations Act, 1953
(Ontario) by Letters Patent dated May 1st, 1957).

FILING STATEMENT Reference is made to previous
Filing Statement No. 1035.

(To be filed with respect to any material change in a company's affairs, including among other things,
an underwriting and option agreement, an issue of shares for property and a proposed re-organization.)

1. Brief statement of the material change in the affairs of the company in respect of which this statement is filed.	<p>Reference is made to Filing Statement No. 1035 and in particular to the facts set out in Item 1 with respect to the agreement (Option Agreement) dated January 9, 1964 whereby Greenwin Construction Company and Kilmer Van Nostrand Limited, the owners of all the issued and outstanding shares in the capital of Exchequer Investments Limited (Exchequer) granted to the Company the option to purchase all or any part of 50% (2,000), but not less than 25% (1,000) of the outstanding common shares of Exchequer. By an agreement dated August 19, 1965 (Option Sale Agreement) between all of the parties to the Option Agreement and Crosley-Foster Limited, as purchaser, the Company agreed to sell and Crosley-Foster Limited agreed to purchase at and for a total purchase price of \$150,000 all of the Company's right, title and interest in and to the Option Agreement.</p> <p>The purchase price is to be satisfied by payment of \$25,000 by cash or certified cheque on closing and the delivery of a promissory note of Crosley-Foster Limited, in the principal amount of \$125,000 with interest at the rate of 6% per annum, payable six months after closing and guaranteed by Kilmer Van Nostrand Limited and Greenwin Construction Company. The Option Sale Agreement provides for mutual releases of the parties to the Option Agreement.</p> <p>Messrs. D. R. Cleveland and A. T. Holland, officers and directors of the Company, were parties to the Option Agreement as the Company's guarantors and agreed therein that in the event the Company exercised its option, they would guarantee, if necessary, indebtedness of Exchequer Investments Limited required for the financing of the development of the Davenport Road property previously sold by the Company to Exchequer. Under the Option Sale Agreement, Messrs. Cleveland and Holland sell to Crosley-Foster Limited, all their right, title and interest in and to the Option Agreement at and for a purchase price of \$1.00 and they, as well as the Company, are released from their obligations under the Option Agreement.</p> <p>The closing of the transaction is conditional upon acceptance for filing by The Toronto Stock Exchange of a Filing Statement disclosing the terms and conditions of the Option Sale Agreement and the approval of the Option Sale Agreement by the shareholders of the Company.</p> <p>The directors have called the Annual and a Special General Meeting of the Shareholders for Thursday, September 30, 1965 at which time the Option Sale Agreement will be submitted for the approval of the shareholders.</p> <p>The Option Sale Agreement provides that the transaction shall be closed on October 26, 1965 and that notice of the approval by the shareholders and the acceptance for filing by The Toronto Stock Exchange of this Filing Statement shall be delivered to Crosley-Foster Limited on or before October 15, 1965. Copies of the Option Sale Agreement have been filed with The Toronto Stock Exchange and are available for inspection upon request.</p>
2. Head office address and any other office address.	278 Davenport Road, Toronto 5, Ontario

3. Names, addresses and chief occupations for the past five years of present or proposed officers and directors.	<p>Alfred Theodore Holland, 93 Post Road, Don Mills, Ontario. Chartered Accountant and Management Consultant.</p> <p>Donald Ross Cleveland, P. O. Box 7, R. R. #1, Islington, Ontario. Management Consultant.</p> <p>John Arthur McCamus, 609 Avenue Road, Toronto, Ontario.</p> <p>B. Hewson Breckenridge, 92 Main Street South, Georgetown, Ontario. President of Varian Associates of Canada Ltd.</p> <p>Robert Douglas Watt, 65 Hurlingham Crescent, Don Mills, Ontario. Production Executive - Barber Green Canada Ltd. to January 1, 1963; Vice- President and General Manager of the Company since that date.</p> <p>Philip Flagler Boylen, 59 Great Oak Drive, Islington, Ontario. Executive.</p> <p>Willem George Poolman, 295 Glencairn Avenue, Toronto 12, Ontario. Barrister and Solicitor.</p> <p>A. C. J. Humphreys, 25 Crestwood Drive, Scarborough, Ontario. Chartered Accountant. Employed by Philips Electronics Industries Ltd. 1962-1965. Previously employed in the United Kingdom. Comptroller of National Hees Industries Limited since March 1965.</p>	<p>President, Treasurer and Director.</p> <p>Chairman of the Board of Directors and Director.</p> <p>Director.</p> <p>Director.</p> <p>Vice-President, General Manager and Director.</p> <p>Assistant Secretary and Director.</p> <p>Secretary and Director.</p> <p>Comptroller.</p>						
4. Share capitalization showing authorized and issued and outstanding capital.	<p><u>Authorized Capital -</u></p> <p>300,000 First Preferred Shares of the par value of \$10.00 each, issuable in series, of which 150,000 of the said First Preferred Shares are designated First Preferred Shares 1963 Series; 300,000 Second Preferred Shares of the par value of \$1.00 each and 1,000,000 Common Shares without nominal or par value.</p> <p><u>Outstanding Capital -</u></p> <table><tr><td>First Preferred Shares 1963 Series</td><td>66,593</td></tr><tr><td>Second Preferred Shares</td><td>150,000</td></tr><tr><td>Common Shares</td><td>67,724</td></tr></table>	First Preferred Shares 1963 Series	66,593	Second Preferred Shares	150,000	Common Shares	67,724	
First Preferred Shares 1963 Series	66,593							
Second Preferred Shares	150,000							
Common Shares	67,724							
5. Particulars in respect of any bonds, debentures, notes, mortgages, charges, liens or hypothecations outstanding.	<p>(a) Pursuant to the Plan of Reorganization between the Company and the holders of its General Mortgage Bonds which became operative and binding on August 14, 1963, the Company was and is required, at the time such Bondholders exchange their bonds for First Preferred Shares 1963 Series, to deliver to such Bondholders promissory notes in the amount of \$55 for each \$500 principal amount of bonds surrendered. The said promissory notes are non-interest bearing and become due and payable on the 15th day of August, 1968. Up to the date hereof the Company has issued in the principal amount \$65,340 of such promissory notes and may become obligated to issue an additional \$15,015 of such notes.</p> <p>(b) The Company is indebted to its bankers, The Toronto-Dominion Bank, for current bank loans in the amount of approximately \$9,000. The Company's bankers have received the usual security on the accounts receivable of the Company.</p>							
6. Details of any treasury shares or other securities now the subject of any underwriting, sale or option agreement or of any proposed underwriting, sale or option agreement.	<p>The Company has granted to each of Messrs. A. T. Holland and D. R. Cleveland, the President and Chairman of the Board of Directors of the Company respectively, the option to purchase 10,000 Common Shares of the Company at a price of \$3.00 per optioned share. The said options may be exercised at any time and from time to time until the 29th day of February, 1968. These options were approved by the shareholders of the Company at the Company's annual meeting held on the 27th day of December, 1963.</p>							

7. Names and addresses of persons having any interest, direct or indirect in underwritten or optioned shares or other securities or assignments, present or proposed, and, if any assignment is contemplated, particulars thereof.	<p>Alfred Theodore Holland, 93 Post Road, Don Mills, Ontario</p> <p>Donald Ross Cleveland, P. O. Box 7, R. R. #1, Islington, Ontario</p>																																											
8. Any payments in cash or securities of the company made or to be made to a promoter or finder in connection with a proposed underwriting or property acquisition.	No such payments are contemplated.																																											
9. Brief statement of company's future development plans, including proposed expenditure of proceeds of sale of treasury shares, if any.	The Company intends to expand further its Arris process of tarnish-proofing silver and expand its holloware operations. The Company plans to utilize some of the \$150,000 to be received by it pursuant to Item 1 as additional working capital in its Silver Process Division and will keep the remainder in short term investments until a suitable long term investment is available.																																											
10. Brief statement of company's chief development work during past year.	During the past year the Company was engaged in the manufacture of pillows and bedding and the processing of silverplate utilizing its Arris silver process. In March 1965, the Company ceased carrying on its pillow and bedding operations.																																											
11. Names and addresses of vendors of any property or other assets intended to be purchased by the company showing the consideration to be paid.	N/A																																											
12. Names and addresses of persons who have received or will receive a greater than 5% interest in the shares or other consideration to be received by the vendor. If the vendor is a limited company, the names and addresses of persons having a greater than 5% interest in the vendor company.	N/A																																											
13. Number of shares held in escrow or in pool and a brief statement of the terms of escrow or the pooling agreement.	None.																																											
14. Names and addresses of owners of more than a 5% interest in escrowed shares and their shareholdings (If shares are registered in the names of nominees or in street names, give names of beneficial owners, if possible.)	N/A																																											
15. Names, addresses and shareholdings of five largest registered shareholders and if shareholdings are pooled or escrowed, so stating. If shares are registered in names of nominees or in street names, give names of beneficial owners, if possible, and if names are not those of beneficial owners, so state.	<p>The following is a list of the five largest registered shareholders of each class of shares in the capital of the Company:</p> <table> <tr> <th>Name</th><th colspan="2">Common Shares Held</th></tr> <tr> <td>S. J. Brooks & Co., 185 Bay Street, Toronto, Ontario.</td><td>30,952</td><td>(these shares are beneficially owned by The Great West Saddlery Company Limited).</td></tr> <tr> <td>Hugh H. Lawson, 78 Chestnut Park, Toronto 5, Ontario.</td><td>3,333</td><td>Beneficial ownership not known to the Company.</td></tr> <tr> <td>Henry B. Monk, 294 Portage Avenue, Winnipeg 1, Manitoba.</td><td>3,017</td><td>Beneficial ownership not known to the Company.</td></tr> <tr> <td>Robert Watson Revie, Box 1111, Cornwall, Ontario.</td><td>3,000</td><td>Beneficial ownership not known to the Company.</td></tr> <tr> <td>Frank S. Leslie & Co. Ltd., 201 Bay Street, Toronto, Ontario.</td><td>1,599</td><td>Beneficial ownership not known to the Company.</td></tr> <tr> <th>Name</th><th colspan="2">First Preferred Shares 1963 Series Held</th></tr> <tr> <td>S. J. Brooks & Co., 185 Bay Street, Toronto, Ontario.</td><td>7,054</td><td>(these shares are beneficially owned by The Great West Saddlery Company Limited).</td></tr> <tr> <td>Crown Trust Company, Trustee for the holders of 5½% General Mortgage Sinking Fund Bonds of National Hees Industries Limited, 302 Bay Street, Toronto, Ontario.</td><td>5,760</td><td>(these shares are held by the Crown Trust Company for the holders of General Mortgage Bonds of the Company who have not exchanged their bonds for shares).</td></tr> <tr> <td>Guaranty Trust Company of Canada as trustee for the holders of 5½% First Mortgage Sinking Fund Bonds of National Hees Industries Limited, 366 Bay Street, Toronto, Ontario.</td><td>1,900</td><td>(these shares are held by Guaranty Trust Company of Canada for the holders of First Mortgage Bonds of the Company who have not exchanged their bonds for shares).</td></tr> <tr> <td>Montreal Trust Company, Account #185, Halifax, Nova Scotia.</td><td>1,500</td><td>Beneficial ownership not known to the Company.</td></tr> <tr> <td>Meck Developments Ltd., 418 Scarboro Avenue, Calgary, Alberta.</td><td>610</td><td>Beneficial ownership not known to the Company.</td></tr> <tr> <th>Name</th><th colspan="2">Second Preferred Shares Held</th></tr> <tr> <td>The Great West Saddlery Company Limited, 278 Davenport Road, Toronto 5, Ontario.</td><td>150,000</td><td>Beneficial owner.</td></tr> </table>		Name	Common Shares Held		S. J. Brooks & Co., 185 Bay Street, Toronto, Ontario.	30,952	(these shares are beneficially owned by The Great West Saddlery Company Limited).	Hugh H. Lawson, 78 Chestnut Park, Toronto 5, Ontario.	3,333	Beneficial ownership not known to the Company.	Henry B. Monk, 294 Portage Avenue, Winnipeg 1, Manitoba.	3,017	Beneficial ownership not known to the Company.	Robert Watson Revie, Box 1111, Cornwall, Ontario.	3,000	Beneficial ownership not known to the Company.	Frank S. Leslie & Co. Ltd., 201 Bay Street, Toronto, Ontario.	1,599	Beneficial ownership not known to the Company.	Name	First Preferred Shares 1963 Series Held		S. J. Brooks & Co., 185 Bay Street, Toronto, Ontario.	7,054	(these shares are beneficially owned by The Great West Saddlery Company Limited).	Crown Trust Company, Trustee for the holders of 5½% General Mortgage Sinking Fund Bonds of National Hees Industries Limited, 302 Bay Street, Toronto, Ontario.	5,760	(these shares are held by the Crown Trust Company for the holders of General Mortgage Bonds of the Company who have not exchanged their bonds for shares).	Guaranty Trust Company of Canada as trustee for the holders of 5½% First Mortgage Sinking Fund Bonds of National Hees Industries Limited, 366 Bay Street, Toronto, Ontario.	1,900	(these shares are held by Guaranty Trust Company of Canada for the holders of First Mortgage Bonds of the Company who have not exchanged their bonds for shares).	Montreal Trust Company, Account #185, Halifax, Nova Scotia.	1,500	Beneficial ownership not known to the Company.	Meck Developments Ltd., 418 Scarboro Avenue, Calgary, Alberta.	610	Beneficial ownership not known to the Company.	Name	Second Preferred Shares Held		The Great West Saddlery Company Limited, 278 Davenport Road, Toronto 5, Ontario.	150,000	Beneficial owner.
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FINANCIAL STATEMENTS

NATIONAL HEES INDUSTRIES LIMITED

TORONTO

ONTARIO

BALANCE SHEET AS AT 30th JUNE 1965
(With comparative figures for 1964)

		ASSETS		LIABILITIES	
		1965	1964	1965	1964
<u>CURRENT ASSETS</u>					
Cash on hand and in Bank		\$ 66	\$ 12	\$ 5,000	\$ -
Accounts receivable, after deducting provision for doubtful accounts - 1965 \$37,262; 1964 \$35,252 -				3,535	4,887
Trade		9,097	24,754	48,369	86,729
Other		3,154	10,324	2,356	1,677
Insurance claims receivable		-	15,578	14,449	-
Inventories - of merchandise and supplies -				5,779	111
at lower of cost or market		6,359	17,512	\$ 79,488	\$ 93,404
Prepaid expenses and deposits		4,636	19,221		
Due from affiliate - Richardson Construction Company Limited		5,947	9,754	\$ 80,355	\$ 80,355
Due from parent - The Great West Saddlery Company Limited		6,597	(9,863)	6,000	-
		\$ 35,856	\$ 87,292	\$ 86,355	\$ 80,355
		\$ 45,687	\$ 55,919	\$ 165,843	\$ 173,759
<u>FIXED ASSETS</u>					
Furniture and equipment (Note #1)					
<u>OTHER ASSETS AND DEFERRED CHARGES</u>					
Reorganization expenses, at cost		\$ 40,011	\$ 40,011	\$ 989,715	\$ 989,715
Option to purchase shares (Note #2)		140,000	1	44,781	55,919
Trade marks, at cost		4,714	-	(934,071)	(1,036,170)
		\$ 184,725	\$ 40,012	\$ 100,425	\$ 9,464
		\$ 266,268	\$ 183,223	\$ 266,268	\$ 183,223
Approved on behalf of the Board of Directors.					
<i>J. H. G. G. G.</i>	Director				
<i>J. H. G. G. G.</i>	Director				
TOTAL SHAREHOLDERS' EQUITY					
The attached notes form an integral part of the financial statements.					

This is the Balance Sheet referred to in our report of this date.

TORONTO, Ontario,
1st September 1965.

James M. Lunnworthy & Co
CHARTERED ACCOUNTANTS.

NATIONAL HEES INDUSTRIES LIMITED

TORONTO

ONTARIO

STATEMENT OF CAPITAL STOCK FOR YEAR ENDED 30th JUNE 1965

Authorized:

300,000	First Preferred shares of Par Value \$10 each, issuable in series, of which 130,000 shares designated as 6% cumulative, redeemable, convertible Sinking Fund First Preferred shares, 1963 series	\$3,000,000
300,000	6% Non-cumulative, convertible Second Preferred shares of par value \$1. each	<u>\$00,000</u>
1,000,000	Common shares without nominal or par value - aggregate consideration not to exceed	<u>\$2,500,000</u>

Issued and Fully Paid:

<u>First Preferred Shares - 1963 Series</u>		
68,780	Shares 1st July 1964	\$687,800
1,870	Shares converted to Common shares	<u>18,700</u>
66,910	Shares 30th June 1965	<u>\$669,100</u>
<u>Second Preferred Shares</u>		
150,000	Shares 1st July 1964 - unchanged	<u>\$150,000</u>
<u>Common Shares</u>		
63,350	Shares 1st July 1964	\$151,915
3,740	Shares issued on conversion of First Preferred Shares	<u>18,700</u>
67,090	Shares 30th June 1965	<u>\$170,615</u>
		<u>\$989,715</u>

STATEMENT OF APPRAISAL APPRECIATION FOR YEAR ENDED 30th JUNE 1965

(With comparative figures for 1964)

	<u>1965</u>	<u>1964</u>
Balance at beginning of year	\$55,919	\$1,004,672
Less:		
Appraisal value on fixed assets sold	11,138	-
Adjustment to bring balance to equal appraised value of fixed assets	<u>-</u>	<u>948,753</u>
Balance at end of year	<u>\$44,781</u>	<u>\$ 55,919</u>

STATEMENT OF PROFIT AND LOSS AND DEFICIT

FOR YEAR ENDED 30th JUNE 1965

(With comparative figures for 1964)

	<u>1965</u>	<u>1964</u>
<u>PROFIT</u> from Operations before taking into account the undernoted items	\$ 2,775	\$ 10,942
Directors' fees (including officers' fees)	\$ 24,026	\$ 31,200
Legal fees	3,811	26,349
Interest on long-term debt	-	47,040
Bank and other interest	<u>293</u>	<u>11,637</u>
	<u>\$ 28,130</u>	<u>\$ 116,226</u>
<u>LOSS ON OPERATIONS</u>	\$ 25,355	\$ 105,284
<u>DEFICIT</u> , balance at beginning of year	<u>1,036,170</u>	<u>1,339,196</u>
	<u>\$1,061,525</u>	<u>\$1,444,480</u>
<u>NON-RECURRING LOSSES</u>		
Net Loss on disposal of fixed assets	\$ 4,383	\$ 4,554
Settlement of lawsuit	1,300	8,500
Adjustments to income of prior year	<u>18,000</u>	<u>(15,413)</u>
	<u>\$ 23,683</u>	<u>(\$ 2,359)</u>
	<u>\$1,085,208</u>	<u>\$1,442,121</u>
<u>NON-RECURRING GAINS</u>		
Net surplus on reorganization	\$ -	\$ 405,951
Adjustment of valuation of option to purchase shares to estimated net realizable value	139,999	-
Transferred from appraisal appreciation	<u>11,138</u>	<u>-</u>
	<u>\$ 151,137</u>	<u>\$ 405,951</u>
<u>DEFICIT</u> , balance at end of year	<u>\$ 934,071</u>	<u>\$1,036,170</u>

NATIONAL HEES INDUSTRIES LIMITED

TORONTO

ONTARIO

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR YEAR ENDED 30th JUNE 1965

<u>SOURCE</u>	
Sale of fixed assets	\$ 6,905
Deferred real estate commission	<u>6,000</u>
	\$12,905
<u>APPLICATION</u>	
Loss on operations	\$25,355
Purchase of fixed assets	1,056
Purchase of trade marks	4,714
Settlement of lawsuit	1,300
Adjustment to income of prior year	<u>18,000</u> <u>50,425</u>
<u>INCREASE IN WORKING CAPITAL DEFICIENCY</u>	<u>\$37,520</u>

We have examined the above Statement of Source and Application of Funds of NATIONAL HEES INDUSTRIES LIMITED, which, in our opinion, when considered in relation to the financial statement reported on 1st September 1965, presents fairly the sources and applications of funds of the Company for the year ended 30th June 1965.

TORONTO, Ontario,
10th September 1965.

James M. Dunwoody & Co
CHARTERED ACCOUNTANTS.

NOTES TO FINANCIAL STATEMENTS FOR YEAR ENDED 30th JUNE 1965

- Furniture and equipment are stated at depreciated replacement values as re-appraised 10th December 1964 by Engineering Metallic Products Company, Appraiser, plus subsequent additions at cost less retirements to 30th June 1965. No provision for depreciation has been made.
- The value of the option to purchase between 1,000 and 2,000 Common Shares of Exchequer Investments Limited has been increased from a nominal value of \$1.00 to the net realizable value estimated by the Board of Directors, as follows:

Purchase offer accepted by the Board of Directors	\$150,000
Less: Estimated expenses on sale	<u>10,000</u>
	<u>\$140,000</u>

- The bank loan is secured by an assignment of accounts receivable.
- An option to purchase 10,000 Common Shares at \$3.00 per share was granted on 28th December 1962 to each of Messrs. A. T. Holland and D. R. Cleveland. This option may be exercised to 29th February 1968.
- The cumulative dividend on first preferred shares 1963 series, including the dividend due on 1st September 1965, in the aggregate amount of \$80,292 has not been paid.
- Sales for the year were as follows:

Arris Department	\$ 67,658
Bedding Department	<u>32,952</u>
	<u>\$100,610</u>

On 1st March 1965, the Bedding Department was sold and business in that line discontinued.

September 13, 1965.

Toronto Stock Exchange,
234 Bay Street,
Toronto 1, Ontario.

Dear Sirs:

In connection with our Filing Statement submitted herewith this will confirm that there have been no material changes in the affairs of the Company since the 30th of June, 1965 which are not fully reflected in the audited statement for that date.

Yours very truly,

National Hees Industries Limited,

A. T. Holland

A. T. Holland,
President and Director,

P. F. Boylen

P. F. Boylen,
Director

16. Names, and addresses of persons whose shareholdings are large enough to materially affect control of the company.	The Great West Saddlery Company Limited, 278 Davenport Road, Toronto 5, Ontario.
17. If assets include investments in the shares or other securities of other companies, give an itemized statement thereof showing cost or book value and present market value.	N/A
18. Brief statement of any lawsuits pending or in process against company or its properties.	<p>The Company is involved as Defendant in the following law suits:</p> <p>1. Parkdale Novelty Company Limited claim \$250.00 for damages for breach of a lease. This action has been settled for the sum of \$100.00 including costs and the Company is now awaiting receipt of Releases.</p> <p>2. Apeldoornse Messenfabriek N.V. claim \$2,500.00 for breach of contract. This action has now been settled for \$1,200.00 including costs and the Company is now awaiting receipt of Releases.</p> <p>3. An action was instituted by Kaysmith Cartage & Haulage Company for \$1,809.00 for services rendered in transporting goods. This matter has been dormant since December 1963 and was overlooked and not disclosed on Filing Statement No. 1035 of the Company filed February 13, 1964. No action has been taken by the Plaintiff on this law suit since December 1963.</p>
19. The dates of and parties to and the general nature of every material contract entered into by the company which is still in effect and is not disclosed in the foregoing.	None.
20. Statement of any other material facts and if none, so state. Also state whether any shares of the company are in the course of primary distribution to the public.	There are no other material facts and no shares of the Company are in the course of primary distribution to the public.

CERTIFICATE OF THE COMPANY

DATED September 17, 1965.

The foregoing, together with the financial information and other reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above and in respect of the company's affairs and there is no further material information applicable. (To be signed by two principal signing officers who are directors and the corporate seal to be affixed.)

"A. T. Holland"

"P. F. Boylen"

NATIONAL HEES INDUSTRIES LIMITED
CORPORATE SEAL

A. T. Holland
President and Director

P. F. Boylen
Ass't Secretary and Director

CERTIFICATE OF UNDERWRITER OR OPTIONEE

To the best of my knowledge, information and belief, the foregoing, together with the financial information and the reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above in respect of the company's affairs. Concerning matters which are not within my knowledge, I have relied upon the accuracy and adequacy of the information supplied to me by the company. (To be signed by underwriter or optionee registered with the Ontario Securities Commission or a corresponding body.)

THE TORONTO STOCK EXCHANGE

FILING STATEMENT NO. 1482.
FILED, AUGUST 25th, 1966.

NATIONAL HEES INDUSTRIES LIMITED

Full corporate name of Company
Incorporated under the Companies Act (Canada) By
Letters Patent dated the 30th day of June, 1954
Particulars of incorporation (e.g., Incorporated under Part IV of the Corporations Act, 1953
(Ontario) by Letters Patent dated May 1st, 1957).

Reference is made to previous
Filing Statement No. 1352.

FILING STATEMENT

(To be filed with respect to any material change in a company's affairs, including among other things, an underwriting and option agreement, an issue of shares for property and a proposed re-organization.)

1. Brief statement of the material change in the affairs of the company in respect of which this statement is filed.	<p>(a) The Company has purchased all of the shares of E. G. M. Machine Products Limited for \$240,000. Prior to closing the vendors had advanced \$100,000 to E. G. M. Machine Products Limited secured by a mortgage on that companies fixed assets and repayable over a five year period with interest at 7 1/2% per annum on the outstanding balance.</p> <p>E. G. M. Machine Products Limited operates a precision machining company in the City of Toronto. Their customers are primarily in the aircraft industry. Both sales and earnings have been increasing over the past four years.</p> <p>(b) In order to provide the company with sufficient funds to complete the acquisition the President of National Hees Industries Limited arranged for a \$50,000 short term loan to the company by Caneco Limited, a company controlled by members of his family. The loan will bear interest at 1% per month on the outstanding balance. (See Note 6 to Consolidated Financial Statements).</p> <p>The transaction is to be the subject of a Shareholders Resolution at a meeting to be held on the 31st of August, 1966.</p>																
2. Head office address and any other office address.	278 Davenport Road, Toronto 5, Ontario.																
3. Names, addresses and chief occupations for the past five years of present or proposed officers and directors.	<table border="0"> <tr> <td data-bbox="560 1208 1177 1344">Alfred Theodore Holland, 93 Post Road, Don Mills, Ontario. Chartered Accountant and Management Consultant.</td><td data-bbox="1193 1208 1546 1344">President, Treasurer and Director</td></tr> <tr> <td data-bbox="560 1371 1177 1480">Donald Ross Cleveland 46 Bemersyde Road, Islington, Ontario, Management Consultant.</td><td data-bbox="1193 1371 1546 1480">Chairman of the Board of Directors and Director</td></tr> <tr> <td data-bbox="560 1507 1177 1616">John Arthur McCamus, 40 De Lisle Avenue, Apartment 410, Toronto 7, Ontario.</td><td data-bbox="1193 1507 1546 1616">Director,</td></tr> <tr> <td data-bbox="560 1643 1177 1778">B. Hewson Breckenridge, 92 Main Street South, Georgetown, Ontario, President of Varian Associates of Canada Ltd.</td><td data-bbox="1193 1643 1546 1778">Director.</td></tr> <tr> <td data-bbox="560 1806 1177 1996">Robert Douglas Watt, 65 Hurlingham Crescent, Don Mills, Ontario. Production Executive - Barber Green Canada Ltd. to January 1, 1963; Vice President and General Manager of the Company since that date.</td><td data-bbox="1193 1806 1546 1996">Vice President, General Manager and Director</td></tr> <tr> <td data-bbox="560 2023 1177 2132">Philip Flagler Boylen, 59 Great Oak Drive, Islington, Ontario, Executive.</td><td data-bbox="1193 2023 1546 2132">Secretary and Director</td></tr> <tr> <td data-bbox="560 2159 1177 2349">Anthony Cecil James Humphreys, 25 Crestwood Drive, Scarborough, Ontario. Chartered Accountant, with Phillips Electronics Industries to February 28, 1965; Comptroller of the Company since that date.</td><td data-bbox="1193 2159 1546 2349">Comptroller.</td></tr> <tr> <td data-bbox="560 2376 1177 2553">Edgar Morison Holland, 576 Cote St. Antoine, Westmount, Quebec. President of the firm of Holland, Andrews, Perrier & Co. Ltd. - Investment Dealers, Montreal, Quebec.</td><td data-bbox="1193 2376 1546 2553">Director,</td></tr> </table>	Alfred Theodore Holland, 93 Post Road, Don Mills, Ontario. Chartered Accountant and Management Consultant.	President, Treasurer and Director	Donald Ross Cleveland 46 Bemersyde Road, Islington, Ontario, Management Consultant.	Chairman of the Board of Directors and Director	John Arthur McCamus, 40 De Lisle Avenue, Apartment 410, Toronto 7, Ontario.	Director,	B. Hewson Breckenridge, 92 Main Street South, Georgetown, Ontario, President of Varian Associates of Canada Ltd.	Director.	Robert Douglas Watt, 65 Hurlingham Crescent, Don Mills, Ontario. Production Executive - Barber Green Canada Ltd. to January 1, 1963; Vice President and General Manager of the Company since that date.	Vice President, General Manager and Director	Philip Flagler Boylen, 59 Great Oak Drive, Islington, Ontario, Executive.	Secretary and Director	Anthony Cecil James Humphreys, 25 Crestwood Drive, Scarborough, Ontario. Chartered Accountant, with Phillips Electronics Industries to February 28, 1965; Comptroller of the Company since that date.	Comptroller.	Edgar Morison Holland, 576 Cote St. Antoine, Westmount, Quebec. President of the firm of Holland, Andrews, Perrier & Co. Ltd. - Investment Dealers, Montreal, Quebec.	Director,
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Edgar Morison Holland, 576 Cote St. Antoine, Westmount, Quebec. President of the firm of Holland, Andrews, Perrier & Co. Ltd. - Investment Dealers, Montreal, Quebec.	Director,																

4. Share capitalization showing authorized and-issued and outstanding capital.	<p><u>AUTHORIZED CAPITAL:</u></p> <p>300,000 First Preferred Shares of the par value of \$10.00 each, issuable in series, of which 150,000 of the said First Preferred Shares are designated First Preferred Shares 1963 series ; 300,000 Second Preferred Shares of the par value of \$1.00 each and 1,000,000 Common Shares without nominal or par value</p> <p><u>OUTSTANDING CAPITAL:</u></p> <table> <tr> <td>First Preferred Shares 1963 Series</td><td>63,675</td></tr> <tr> <td>Second Preferred Shares</td><td>150,000</td></tr> <tr> <td>Common Shares</td><td>73,560</td></tr> </table>	First Preferred Shares 1963 Series	63,675	Second Preferred Shares	150,000	Common Shares	73,560
First Preferred Shares 1963 Series	63,675						
Second Preferred Shares	150,000						
Common Shares	73,560						
5. Particulars in respect of any bonds, debentures, notes, mortgages, charges, liens or hypothecations outstanding.	<p>Pursuant to the Plan of Reorganization between the Company and the holders of its General Mortgage Bonds which became operative and binding on August 14, 1963, the Company was and is required, at the time such Bondholders exchange their bonds for First Preferred Shares 1963 Series, to deliver to such Bondholders promissory notes in the amount of \$55 for each \$500 principal amount of bonds surrendered. The said promissory notes are non-interest bearing and become due and payable on the 15th day of August, 1968. Up to the date hereof the Company has outstanding in the principal amount \$63,195 of such promissory notes and may become obligated to issue an additional \$14,410 of such notes.</p>						
6. Details of any treasury shares or other securities now the subject of any underwriting, sale or option agreement or of any proposed underwriting, sale or option agreement.	<p>The company has granted to each of Messrs. A. T. Holland and D. R. Cleveland, the President and Chairman of the Board of Directors of the company respectively, the option to purchase 10,000 Common Shares of the company at a price of \$3.00 per optioned share. The said options may be exercised at any time and from time to time until the 29th day of February, 1968. These options were approved by the shareholders of the company at the company's annual meeting held on the 27th day of December, 1963.</p>						
7. Names and addresses of persons having any interest, direct or indirect in underwritten or optioned shares or other securities or assignments, present or proposed, and, if any assignment is contemplated, particulars thereof.	<p>Alfred Theodored Holland, 93 Post Road, Don Mills, Ontario.</p> <p>Donald Ross Cleveland, 46 Bemersyde Road, Islington, Ontario.</p>						
8. Any payments in cash or securities of the company made or to be made to a promoter or finder in connection with a proposed underwriting or property acquisition.	<p>P. H. Greenwood, Chartered Accountant of 7 Parkwood Drive, Galt, Ontario and Francis J. Tierney, Business Broker of 129 Adelaide Street West, Toronto, Ontario will each receive an amount not in excess of \$6,000 for services rendered during the negotiation of the transaction or during the 12 month period following completion of the transaction.</p>						
9. Brief statement of company's future development plans, including proposed expenditure of proceeds of sale of treasury shares, if any.	<p>After the consolidation of the newly acquired E. G. M. Machine Products Ltd. the company plans to expand further in the metal field either through acquisition or expansion of existing facilities.</p>						
10. Brief statement of company's chief development work during past year.	<p>During the past year the company has expanded its Silver Holloware business and has searched for investment opportunities.</p>						
11. Names and addresses of vendors of any property or other assets intended to be purchased by the company showing the consideration to be paid.	<p>Edward A. Gniadek - 301 Rushton Road, Toronto Chester Marcinkowski - 251 Rustic Avenue, Toronto vendors of all of the shares of E. G. M. Machine Products Limited for \$240,000.00</p>						

12. Names and addresses of persons who have received or will receive a greater than 5% interest in the shares or other consideration to be received by the vendor. If the vendor is a limited company, the names and addresses of persons having a greater than 5% interest in the vendor company.	Edward A. Gniadek - 301 Rushton Road, Toronto, Ontario Chester Marcinkowski - 251 Rustic Avenue, Toronto, Ontario E. A. Gniadek - 55% C. Marcinkowski - 45%																																	
13. Number of shares held in escrow or in pool and a brief statement of the terms of escrow or the pooling agreement.	NONE																																	
14. Names and addresses of owners of more than a 5% interest in escrowed shares - and their shareholdings (If shares are registered in the names of nominees or in street names, give names of beneficial owners, if possible.)	N/A																																	
15. Names, addresses and shareholdings of five largest registered shareholders and if shareholdings are pooled or escrowed, so stating. If shares are registered in names of nominees or in street names, give names of beneficial owners, if possible, and if names are not those of beneficial owners, so state	<table><tr><th><u>Name</u></th><th><u>Common Shares Held</u></th></tr><tr><td>S. J. Brooks & Co., 185 Bay Street, Toronto, Ontario.</td><td>30,447 (these shares are beneficially owned by The Great West Saddlery Company Limited)</td></tr><tr><td>Bache & Co., Incorporated, 360 Bay Street, Toronto, Ontario.</td><td>3,796 (Beneficial owners are unknown)</td></tr><tr><td>J. H. Crang & Company, 20 King Street West, Toronto, Ontario.</td><td>3,633 (Beneficial owners are unknown)</td></tr><tr><td>Harry B. Monk, 294 Portage Avenue, Winnipeg, Manitoba.</td><td>3,017</td></tr><tr><td>Robert Watson Revie, Box 1111, Cornwall, Ontario.</td><td>3,000</td></tr><tr><td colspan="2"> </td></tr><tr><th><u>Name</u></th><th><u>First Preferred Shares 1963 Series Held</u></th></tr><tr><td>S. J. Brooks & Co. 185 Bay Street, Toronto, Ontario.</td><td>4,954 (3,995 1/2 shares are beneficially owned by The Great West Saddlery Company Limited)</td></tr><tr><td>Crown Trust Company, 302 Bay Street, Toronto, Ontario.</td><td>5,370 (Beneficial owners are unknown)</td></tr><tr><td>Guaranty Trust Co. 366 Bay Street, Toronto, Ontario.</td><td>1,650 (Beneficial owners are unknown)</td></tr><tr><td>Vanderill Incorporated, 318 Stanstead Ave., Town of Mount Royal, Quebec.</td><td>1,000</td></tr><tr><td>Meck Developments Ltd., 418 Scarborough Ave., Calgary, Alberta.</td><td>610</td></tr><tr><td colspan="2"> </td></tr><tr><th><u>Name</u></th><th><u>Second Preferred Shares 1963 Series Held</u></th></tr><tr><td>Great West Saddlery Co. Ltd., 278 Davenport Road, Toronto 5, Ontario.</td><td>150,000</td></tr></table> <p>*Note: Other than the shares owned by the Great West Saddlery company and noted the company is unaware of the beneficial owners of the above shares.</p>		<u>Name</u>	<u>Common Shares Held</u>	S. J. Brooks & Co., 185 Bay Street, Toronto, Ontario.	30,447 (these shares are beneficially owned by The Great West Saddlery Company Limited)	Bache & Co., Incorporated, 360 Bay Street, Toronto, Ontario.	3,796 (Beneficial owners are unknown)	J. H. Crang & Company, 20 King Street West, Toronto, Ontario.	3,633 (Beneficial owners are unknown)	Harry B. Monk, 294 Portage Avenue, Winnipeg, Manitoba.	3,017	Robert Watson Revie, Box 1111, Cornwall, Ontario.	3,000	 		<u>Name</u>	<u>First Preferred Shares 1963 Series Held</u>	S. J. Brooks & Co. 185 Bay Street, Toronto, Ontario.	4,954 (3,995 1/2 shares are beneficially owned by The Great West Saddlery Company Limited)	Crown Trust Company, 302 Bay Street, Toronto, Ontario.	5,370 (Beneficial owners are unknown)	Guaranty Trust Co. 366 Bay Street, Toronto, Ontario.	1,650 (Beneficial owners are unknown)	Vanderill Incorporated, 318 Stanstead Ave., Town of Mount Royal, Quebec.	1,000	Meck Developments Ltd., 418 Scarborough Ave., Calgary, Alberta.	610	 		<u>Name</u>	<u>Second Preferred Shares 1963 Series Held</u>	Great West Saddlery Co. Ltd., 278 Davenport Road, Toronto 5, Ontario.	150,000
<u>Name</u>	<u>Common Shares Held</u>																																	
S. J. Brooks & Co., 185 Bay Street, Toronto, Ontario.	30,447 (these shares are beneficially owned by The Great West Saddlery Company Limited)																																	
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Great West Saddlery Co. Ltd., 278 Davenport Road, Toronto 5, Ontario.	150,000																																	

FINANCIAL STATEMENTS

NATIONAL HEES INDUSTRIES LIMITED

and subsidiary company

Consolidated Balance Sheet as at 30th June, 1966

ASSETS

CURRENT ASSETS	\$	172
Cash on Hand		69,442
Accounts Receivable, less Provision for Doubtful Accounts		24,495
Inventories — at lower of cost and net realizable value		3,910
Prepaid Expenses and Deposits		1,950
Due from Affiliate		38,781
Due from Parent		\$ 138,750

FIXED ASSETS

Land, Buildings, Machinery and Equipment (Note 8)	\$ 172,843
Less: Accumulated Depreciation	82,867
	\$ 89,976

OTHER ASSETS AND DEFERRED CHARGES — at cost

Re-organization Expenses	\$ 40,011
Trade Marks	4,714
Goodwill on Consolidation	121,776
	\$ 166,501
	\$ 395,227

LIABILITIES

CURRENT LIABILITIES

Bank Loans and Overdraft (Secured \$6,000)	\$ 14,078
Accounts Payable and Accrued Charges	24,679
Sales and Other Taxes Payable	5,808
Mortgage Payments due within one year	20,000
Debenture (Note 6)	50,000
	\$ 114,565

LONG-TERM LIABILITIES

First Mortgage — 7½%, due May, 1971, payable \$5,000 quarterly plus interest, less current portion	\$ 80,000
Notes Payable — due 15th August, 1968	77,605
	\$ 157,605

SHAREHOLDERS' EQUITY — per statements attached

Capital Stock	\$ 989,715
Deficit	866,658
	\$ 123,057
	\$ 395,227

Approved on behalf of the Board:

R. D. WATT, Director.
A. T. HOLLAND, Director.

The attached notes form an integral part of the consolidated financial statements.

AUDITORS' REPORT

To the Shareholders of
NATIONAL HEES INDUSTRIES LIMITED.

We have examined the Consolidated Balance Sheet of NATIONAL HEES INDUSTRIES LIMITED as at 30th June, 1966 and the Consolidated Statements of Capital Stock, Appraisal Appreciation and Profit and Loss and Deficit for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying Consolidated Balance Sheet and Consolidated Statements of Capital Stock, Appraisal Appreciation and Profit and Loss and Deficit TORONTO, Ontario, 22nd July, 1966.

present fairly the financial position of the Companies as at 30th June, 1966 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year with the exception referred to in Note 5 with which we concur.

Our examination also included the accompanying Consolidated Statement of Source and Application of Funds which, in our opinion, when considered in relation to the aforementioned financial statements, presents fairly the sources and applications of funds of the Companies for the year ended 30th June, 1966.

JAMES M. DUNWOODY & CO.,
Chartered Accountants.

NATIONAL HEES INDUSTRIES LIMITED

and subsidiary company

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED 30th JUNE, 1966

1. The option to purchase between 1,000 and 2,000 common shares of Exchequer Investments was sold to Crosley Foster Limited as specifically approved at a Special Meeting of the Shareholders on 30th September, 1965.
2. An option to purchase 10,000 common shares at \$3.00 per share was granted to each of Messrs. A. T. Holland and D. R. Cleveland. This option may be exercised to 29th February, 1968.
3. The cumulative dividends on First Preferred Shares 1963 Series in the aggregate amount of \$80,292.00 has not been paid.
4. Sales for the year were \$110,700.00
5. A change in the method in accounting for rebate on pension insurance has resulted in a non-recurring gain in the year of \$11,917.00. This amount has been included in adjustment of income of prior years on the Consolidated Statement of Profit and Loss.
6. Debenture in the amount of \$50,000.00 is payable sixty days after demand, interest at 1% per month is payable monthly. Debenture is secured by a floating charge on the assets of National Hees Industries Limited which includes a specific pledge of 2,000 common shares of subsidiary company, E. G. M. Machine Products Limited.
7. Second Mortgage and Chattel Mortgage held by the parent company on the real property and equipment of E. G. M. Machine Products Limited have been assigned to the vendors of the subsidiary company as collateral security against any liability which may arise from acts by the National Hees Group subsequent to the date of sale.
8. The fixed assets are valued at cost except \$44,402.00 assets originating in National Hees Industries Limited which are at appraisal value determined by Engineering Metallic Products Company on 10th December, 1964.

NATIONAL HEES INDUSTRIES LIMITED

and subsidiary company

CONSOLIDATED STATEMENT OF CAPITAL STOCK FOR YEAR ENDED 30th JUNE, 1966

AUTHORIZED		
300,000	First Preferred Shares of Par Value \$10.00 each issuable in series of which 150,000 shares are designated as 6% Cumulative Preferred, Convertible Sinking Fund First Preferred Shares 1963 Series	\$3,000,000
300,000	6% Non-cumulative Convertible Second Preferred Shares of Par Value \$1.00 each	300,000
		<u>\$3,300,000</u>
1,000,000	Common Shares without nominal or par value, aggregate consideration not to exceed \$2,500,000	
ISSUED AND FULLY PAID		
FIRST PREFERRED SHARES — 1963 Series		
66,910	Shares, 1st July, 1965	\$ 669,100
3,235	Shares, converted to Common Shares during year	32,350
<u>63,675</u>		<u>\$ 636,750</u>
SECOND PREFERRED SHARES		
150,000	Shares, 1st July, 1965 — unchanged	\$ 150,000
COMMON SHARES		
67,090	Shares, 1st July, 1965	\$ 170,615
6,470	Shares, issued on conversion of First Preferred Shares 1963 Series during year	32,350
<u>73,560</u>		<u>\$ 202,965</u>
		<u>\$ 989,715</u>

CONSOLIDATED STATEMENT OF APPRAISAL APPRECIATION FOR YEAR ENDED 30th JUNE, 1966

Balance, 1st July, 1965	\$ 44,781
Less: Appraisal Value of Fixed Assets Sold	44,781
Balance, 30th June, 1966	<u>\$ —</u>

NATIONAL HEES INDUSTRIES LIMITED

and subsidiary company

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR YEAR ENDED 30th JUNE, 1966

FUNDS PROVIDED	
Net Profit for Year	\$ 3,744
Sale of Fixed Assets	741
Depreciation	1,463
Sale of Option to Purchase Shares	140,000
First Mortgage — 7½%, due May 1971 (less current portion \$20,000)	80,000
Adjustment to Income of Prior Years	18,888
	<u>\$ 244,836</u>
FUNDS APPLIED	
Purchase of Assets of Subsidiary	\$ 46,493
Purchase of Goodwill on Consolidation and in the books of the Subsidiary	121,776
Partial Redemption of Notes Payable	2,750
Payment of Deferred Real Estate Commission	6,000
	177,019
INCREASE IN WORKING CAPITAL	<u>\$ 67,817</u>

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND DEFICIT FOR YEAR ENDED 30th JUNE, 1966

PROFIT FROM OPERATIONS, before taking into account the undernoted items	\$ 20,743
Executive Remuneration (including services as Directors)	\$ 15,100
Legal Fees	1,414
Interest on Long-Term Debt	1,125
Bank and Other Interest	129
Depreciation	1,463
	19,231
PROFIT ON OPERATIONS	\$ 1,512
OTHER INCOME	
Dividends	\$ 197
Discount of Notes Redeemed	2,035
	2,232
NET PROFIT FOR YEAR	\$ 3,744
DEFICIT BALANCE AT 1ST JULY, 1965	934,071
	<u>\$ 930,327</u>
NON-RECURRING GAINS	
Transfer from Appraisal Surplus	\$ 44,781
Adjustment to Income of Prior Years	18,888
	63,669
DEFICIT BALANCE AT 30TH JUNE, 1966	\$ 866,658

E.G.M. MACHINE PRODUCTS LIMITED (INCORPORATED UNDER THE LAWS OF ONTARIO) BALANCE SHEET AS AT MAY 31, 1966

- ASSETS -

	<u>1966</u>	<u>1965 For Comparison</u>
<u>Current Assets</u>		
Cash in Bank	\$ -	\$ 50,037.00
Accounts Receivable - Current	40,536.88	7,400.00
Rents Receivable	125.00	375.00
Inventory - at lower of cost or net realizable value	12,505.00	3,000.00
Hydro Deposit	100.00	100.00
Prepaid Expenses	100.00	-
	<u>\$ 53,366.88</u>	<u>\$ 60,912.00</u>
<u>Fixed Assets</u>		
	Cost	Accumulated Depre- ciation
Land	\$ 14,500.00	\$ -
Buildings	23,473.14	9,854.14
Machinery and Equipment (Note 1)	251,715.06	103,891.06
	<u>\$289,688.20</u>	<u>\$113,745.20</u>
	<u>\$175,943.00</u>	<u>\$ 45,932.00</u>
	<u>\$ 24,943.00</u>	<u>\$ 24,943.00</u>
<u>Goodwill</u>	<u>\$254,252.88</u>	<u>\$131,787.00</u>

The Accompanying Notes Form An
Integral Part of the Financial
Statements.

E.G.M. MACHINE PRODUCTS LIMITED
(INCORPORATED UNDER THE LAWS OF ONTARIO)
BALANCE SHEET
AS AT MAY 31, 1966

- LIABILITIES -

	<u>1966</u>	<u>1965 for Comparison</u>
<u>Current Liabilities</u>		
Bank Overdraft	\$ 3,763.98	\$ -
Accounts Payable - Trade	5,955.00	1,397.00
- Parent Company	2,500.00	-
Employees Deductions Payable	1,363.27	424.00
Income Taxes Payable	2,803.00	2,579.00
Current Portion of Long Term Debt	20,000.00	-
Accrued Salaries Payable	3,600.00	11,190.00
	<u>\$ 39,985.25</u>	<u>\$ 15,590.00</u>
<u>Long Term Liabilities (Secured by Fixed Assets)</u>		
First Mortgage Payable - 7 $\frac{1}{2}$ % - due May 1971	\$100,000.00	
Second Mortgage Payable - due May 1971	20,000.00	
Less: Current Portion (as above)	(20,000.00)	
	<u>\$100,000.00</u>	
<u>Total Liabilities</u>	<u>\$139,985.25</u>	<u>\$ 15,590.00</u>

- SHAREHOLDERS' EQUITY -

Capital Stock

Authorized

Preferred - 3,600 Shares 5% Non-cumulative, Non-participating, Non-voting, Redeem- able at a premium of 10% with a par value of \$10.00 each	\$36,000.00
Less: 2,000 Shares Redeemed During Year for Cash	(20,000.00)
	<u>\$16,000.00</u>
Common - 4,000 Shares without par value	4,000.00
	<u>\$20,000.00</u>

Issued and Fully Paid

2,000 Preferred Shares - Redeemed for Cash	\$ -	\$ 20,000.00
2,000 Common Shares (Note 2)	2,000.00	2,000.00

Retained Earnings - Per Statement Attached

\$ 2,000.00	\$ 22,000.00
<u>112,267.63</u>	<u>94,197.00</u>
<u>\$114,267.63</u>	<u>\$116,197.00</u>
<u>\$25,267.63</u>	<u>\$11,197.00</u>

To be read in conjunction with our
report attached, dated June 20, 1966.

APPROVED ON BEHALF OF THE BOARD

W. H. Eisenberg Director

WM. EISENBERG & CO.
Chartered Accountants

A. J. Humphreys Director

The Accompanying Notes Form An Integral
Part of the Financial Statements.

WM. EISENBERG & CO.
CHARTERED ACCOUNTANTS

E.G.M. MACHINE PRODUCTS LIMITED
STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED MAY 31, 1966

	<u>1966</u>	<u>1965 For Comparison</u>
<u>Balance - Start of Year</u>	\$ 94,197.20	\$77,529.00
<u>Add: Net Profit for the Year</u>	<u>18,084.65</u>	<u>16,668.00</u>
	<u>\$112,281.85</u>	<u>\$94,197.00</u>
<u>Less: Ontario Corporation Income Tax Interest - 1965</u>	\$ 11.33	
- 1964	2.89	
	<u>\$ 14.22</u>	
<u>Balance - end of year (to Balance Sheet)</u>	<u>\$112,267.63</u>	<u>\$94,197.00</u>

NOTES TO THE FINANCIAL STATEMENTS
AS AT MAY 31, 1966

1. Machinery and Equipment

Subsequent to the acquisition of its shares by National Bees Industries Limited, the Company purchased from the parent company, machinery and equipment for \$162,000.00 which was the original cost of the machinery and equipment less proceeds on disposal to May 31, 1966.

2. Common Shares

During the year, the Company became a wholly-owned subsidiary of National Bees Industries Limited by virtue of the sale of all its shares from the previous shareholders to National Bees Industries Limited.

The Accompanying Notes Form An
Integral Part of the Financial
Statements.

E.G.M. MACHINE PRODUCTS LIMITED
SOURCE AND APPLICATION OF FUNDS STATEMENT
FOR THE YEAR ENDED MAY 31, 1966

Funds were provided from:

Operations - net profit for the year		\$ 18,085	
- depreciation		<u>49,980</u>	
		\$ 68,065	
First Mortgage Loan	\$100,000		
Less: Current Portion	<u>20,000</u>	<u>80,000</u>	\$148,065

Funds were applied to:

Purchase of machinery from National Hees Industries Limited (Note 1)		\$162,000	
Less: Second Mortgage Loan		<u>20,000</u>	
		\$142,000	
Redemption of preferred shares		<u>20,000</u>	
Other purchase of machinery and equipment		17,991	
Prior years' income tax interest		<u>14</u>	<u>180,005</u>
			(\$ 31,940)

Decrease in Working Capital

Working Capital

May 31, 1966	\$ 13,382
May 31, 1965	<u>45,322</u>
	(\$ 31,940)

Decrease in Working Capital

The Accompanying Notes Form an
Integral Part of the Financial
Statements.

WM. EISENBERG & CO.
CHARTERED ACCOUNTANTS

NATIONAL HEES INDUSTRIES LIMITED

and subsidiary company

To the Directors of
NATIONAL HEES INDUSTRIES LIMITED

Pursuant to instructions issued by your President, we have estimated the fair market value of E. G. M. Machine Products Limited acquired by your Company on 30th May, 1966.

We have used the audited financial statements of the company as prepared and certified by Wm. Eisenberg & Co., Chartered Accountants, for the years ended 31st May, 1964 and 1965 and the uncertified draft financial statements for the year ended 31st May, 1966.

We have adjusted the draft financial statements for the year ended 31st May, 1966 to reflect appraisal values of the equipment and machinery prepared by Engineering Metallic Products Company, dated 20th June, 1966, and market value of real estate property — 123 McCormack Avenue — submitted as a letter of opinion by Magnus T. Paulson Realty Limited, dated 16th May, 1966. The adjusted shareholders' equity after elimination of good will is approximately \$250,000.

We have projected the profit after tax for 1967 and subsequent fiscal years basing our projections on the trends of sales, costs and net profits for years 1964 to 1966 inclusive. We have eliminated depreciation on equipment transferred to the Company on 30th May, 1966. The estimated profit after tax is \$38,300. A value based on earnings, using six times estimated profit, indicates a value of approximately \$230,000.

We did not make a direct examination of the books and records but relied on the financial statements referred to above as supplied to us.

Subject to the above limitations of our examination, it is our opinion that the price of \$240,000 paid by National Hees Industries Limited is reasonable and approximates a fair market value for all of the issued shares of E. G. M. Machine Products Limited as at 31st May, 1966.

JAMES M. DUNWOODY & CO.,
Chartered Accountants.

Toronto, Ontario,
30th June, 1966.

16. Names; and addresses of persons whose shareholdings are large enough to materially affect control of the company.	The Great West Saddlery Co. Ltd., 278 Davenport Road, Toronto 5, Ontario.
17. If assets include investments in the shares or other securities of other companies, give an itemized statement thereof showing cost or book value and present market value.	N/A
18. Brief statement of any lawsuits pending or in process against company or its properties.	N/A
19. The dates of and parties to and the general nature of every material contract entered into by the company which is still in effect and is not disclosed in the foregoing.	NONE
20. Statement of any other material facts and if none, so state. Also state whether any shares of the company are in the course of primary distribution to the public.	There are no material facts not disclosed in the foregoing and no shares of the company are in the course of primary distribution to the public.

CERTIFICATE OF THE COMPANY

DATED August 9th, 1966

The foregoing, together with the financial information and other reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above and in respect of the company's affairs and there is no further material information applicable. (To be signed by two principal signing officers who are directors and the corporate seal to be affixed.)

"A.T. Holland"

A.T. Holland

CORPORATE
SEAL

"R.D. Watt"

R.D. Watt

CERTIFICATE OF UNDERWRITER OR OPTIONEE

To the best of my knowledge, information and belief, the foregoing, together with the financial information and the reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above in respect of the company's affairs. Concerning matters which are not within my knowledge, I have relied upon the accuracy and adequacy of the information supplied to me by the company. (To be signed by underwriter or optionee registered with the Ontario Securities Commission or a corresponding body.)

THE EXCHANGE HAS NEITHER APPROVED NOR DISAPPROVED THE INFORMATION CONTAINED IN THIS FILING STATEMENT, WHICH IS A REPRODUCTION OF THE ORIGINAL FILED WITH THE EXCHANGE BY THE COMPANY AND IS ISSUED FOR INFORMATION PURPOSES ONLY. THIS FILING STATEMENT IS NOT TO BE REPRODUCED IN WHOLE OR IN PART WITHOUT THE WRITTEN APPROVAL OF THE TORONTO STOCK EXCHANGE.

THE TORONTO STOCK EXCHANGE

FILING STATEMENT NO. 1580.
FILED, NOVEMBER 7th. 1967.

Sub
NATIONAL HEES INDUSTRIES LIMITED

Full corporate name of Company
Incorporated under the Companies Act (Canada) by
Letters Patent dated the 30th day of June, 1954

Particulars of incorporation (e.g., Incorporated under Part IV of the Corporations Act, 1953
(Ontario) by Letters Patent dated May 1st, 1957).

Reference is to previous
Filing Statement No. 1482.

FILING STATEMENT

(To be filed with respect to any material change in a company's affairs, including among other things,
an underwriting and option agreement, an issue of shares for property and a proposed re-organization.)

1. Brief statement of the material change in the affairs of the company in respect of which this statement is filed.	See Schedule "A" on page 3.	
2. Head office address and any other office address.	628 King Street West, Toronto 2b, Ontario.	
3. Names, addresses and chief occupations for the past five years of present or proposed officers and directors.	Altred Theodored Holland, 93 Post Road, Don Mills, Ontario, Chartered Accountant and Management Consultant.	President, Chairman of the Board of Directors and Director.
	E. A. Du Vernet, Q. C., 37 Hartfield Court, Islington, Ontario, Barrister.	Director
	John Arthur McCamus, 40 De Lisle Avenue, Apartment 410, Toronto 7, Ontario. Gentleman.	Director,
	B. Hewson Breckenridge 92 Main Street South, Georgetown, Ontario, President of Varian associates of canada ltd.	Director
	Robert Douglas Watt, 65 Hurlingham Crescent, Don Mills, Ontario, Production Executive, Barber- Green Canada Ltd. to January 1, 1963; Vice President and General Manager of the Company since that date.	Vice President, General Manager and Director
	Philip Flagler Boylen, 59 Great Oak Drive, Islington, Executive.	Secretary and Director
	Anthony Cecil James Humphreys 25 Crestwood Drive, Scarborough, Ontario, Chartered Accountant, with Phillips Electronics Industries to February 28, 1965; Comptroller of the Company to August 31, 1966 and Treasurer since that date.	Treasurer
	Edgar Morison Holland , 576 Cote St. Antoine, Westmount, Quebec. President of the firm of Holland, Andrews, Perrier & Co. Ltd. - Investment Dealers, Montreal, Quebec.	Director

<p>4. Share capitalization showing authorized and issued and outstanding capital.</p>	<p><u>AUTHORIZED CAPITAL:</u></p> <p>300,000 First Preferred Shares of the par value of \$10.00 each, issuable in series, of which 150,000 of the said First Preferred Shares are designated First Preferred Shares 1963 series; 300,000 Second Preferred Shares of the par value of \$1.00 each and 1,000,000 Common Shares without nominal or par value</p> <p><u>OUTSTANDING CAPITAL:</u></p> <table> <tr> <td>First Preferred Shares 1963 Series</td><td>63,135 1/2</td></tr> <tr> <td>Second Preferred Shares</td><td>150,000</td></tr> <tr> <td>Common Shares</td><td>74,639</td></tr> </table>	First Preferred Shares 1963 Series	63,135 1/2	Second Preferred Shares	150,000	Common Shares	74,639		
First Preferred Shares 1963 Series	63,135 1/2								
Second Preferred Shares	150,000								
Common Shares	74,639								
<p>5. Particulars in respect of any bonds, debentures, notes, mortgages, charges, liens or hypothecations outstanding.</p>	<p>Reference is made to Item 1 with respect to the debenture being issued to St. Adele Valley Enterprises Limited.</p> <p>As part of the acquisition described in Item 1 five (5) \$50,000 notes bearing interest at 6 per cent (%) maturing serially on October 31st each year from 1968 to 1972. These notes will be secured by a charge on the shares of Designed Precision Castings Limited.</p> <p>As fully described in Item 1;</p> <p style="padding-left: 40px;">A \$200,000 demand note payable to the Bank of Montreal A \$200,000 note maturing 7th November, 1968 to the Bank of Montreal A \$200,000 note maturing 7th November, 1969 to the Bank of Montreal</p> <p>Pursuant to the Plan of Re-organization between the Company and the holders of its General Mortgage Bonds which became operative and binding on August 14, 1963, the Company was and is required, at the time such Bondholders exchanged their bonds for First Preferred Shares 1963 Series, to deliver to such Bondholders promissory notes in the amount of \$55 each for each \$500 principal amount of bonds surrendered. The said promissory notes are non-interest bearing and become due and payable on the 15th day of August, 1968. Up to the date hereof the Company has outstanding in the principal amount \$60,472.50 promissory notes and may become obligated to issue an additional \$10,697.50 of such notes.</p>								
<p>6. Details of any treasury shares or other securities now the subject of any underwriting, sale or option agreement or of any proposed underwriting, sale or option agreement.</p>	<p>The Company has granted to each of Messrs. A. T. Holland and D. R. Cleveland, the President and former Chairman of the Board of Directors of the Company respectively, the option to purchase 10,000 common shares of the company at a price of \$3.00 per optioned share. The said options may be exercised at any time and from time to time until the 29th day of February, 1968. These options were approved by the shareholders of the company at the company's annual meeting held on the 27th day of December, 1963.</p> <p>Upon completion of the transaction mentioned in Item 1 hereof 20,000 common shares will be issued to the vendor at an agreed valuation of \$5.00 per share.</p> <p>Reference is made to Item 1 with respect to the option granted to St. Adele Valley Enterprises Limited.</p>								
<p>7. Names and addresses of persons having any interest, direct or indirect in underwritten or optioned shares or other securities or assignments, present or proposed, and, if any assignment is contemplated, particulars thereof.</p>	<table> <tr> <td>Alfred Theodore Holland, 93 Post Road, Don Mills, Ontario.</td><td>Roger Obata, 63 Twyford Road, Islington, Ontario.</td></tr> <tr> <td>Donald Ross Cleveland, 19 Old Mill Terrace, Islington, Ontario.</td><td></td></tr> <tr> <td>St. Adele Valley Enterprises Limited, 2055 Peel Street, Suite 400, Montreal, Quebec.</td><td></td></tr> <tr> <td>Mr. D. R. Cleveland has notified the Company that he has assigned his rights under his option as collateral security for the loan.</td><td></td></tr> </table>	Alfred Theodore Holland, 93 Post Road, Don Mills, Ontario.	Roger Obata, 63 Twyford Road, Islington, Ontario.	Donald Ross Cleveland, 19 Old Mill Terrace, Islington, Ontario.		St. Adele Valley Enterprises Limited, 2055 Peel Street, Suite 400, Montreal, Quebec.		Mr. D. R. Cleveland has notified the Company that he has assigned his rights under his option as collateral security for the loan.	
Alfred Theodore Holland, 93 Post Road, Don Mills, Ontario.	Roger Obata, 63 Twyford Road, Islington, Ontario.								
Donald Ross Cleveland, 19 Old Mill Terrace, Islington, Ontario.									
St. Adele Valley Enterprises Limited, 2055 Peel Street, Suite 400, Montreal, Quebec.									
Mr. D. R. Cleveland has notified the Company that he has assigned his rights under his option as collateral security for the loan.									
<p>8. Any payments in cash or securities of the company made or to be made to a promoter or finder in connection with a proposed underwriting or property acquisition.</p>	<p>N/A</p>								

SCHEDULE "A"

The Company has entered into an agreement to purchase all of the issued common shares of Designed Precision Castings Limited from Roger Obata for a total consideration of \$950,000 payable as follows:

\$600,000 Cash
\$250,000 over 5 years with interest at 6%
20,000 shares of National Hees Industries
Limited common stock

The 225 Preference Shares of Designed Precision Castings Limited outstanding will be redeemed within one year of acquisition.

Designed Precision Castings Limited is a leading company in the field of investment castings; processing both ferrous and non ferrous metals to very fine tolerances.

Mr. Roger Obata has contracted to be employed on a full-time basis with Designed Precision Castings Limited. for a period of one year from the date of the agreement. For the subsequent two one-year periods Mr. Obata has agreed to be employed on a basis requiring that he spend six and four months, respectively, of his time on the Company's behalf. Initially, Mr. Obata will be engaged primarily in full time management of the Company, training competent senior personnel and in the metallurgical field. For the subsequent two one-year periods, Mr. Obata will be engaged primarily in technical sales and metallurgical endeavours.

The cash required for the transaction is being provided by loans from the Bank of Montreal amounting to \$600,000. \$200,000 of which is payable pursuant to a demand note and the balance of \$400,000 matures as to \$200,000 each on the 7th days of November in the years 1968 and 1969. The borrowing from the Bank bears interest at the then current Bank rate. As security for the borrowing from the Bank of Montreal the Company gave the Bank of Montreal the usual security under Section 88 of the Bank Act.

The Bank loan was arranged by St. Adele Valley Enterprises Limited who are guaranteeing the Bank for the \$400,000 of term loans. In consideration of these arrangements the Company has agreed to pay \$25,000 and has entered into an option agreement to grant St. Adele Valley Enterprises Limited an option to purchase 25,000 of the Company's common shares at \$3.00 per share. This option expires at the later of two years from November 7th, 1967 or the date which the guarantee to the Bank terminates.

The Company will agree to indemnify St. Adele Valley Enterprises Limited for payments made by it to the Bank of Montreal on account of its guarantee. To collaterally secure the Company's obligations under the indemnity agreement the Company will issue to St. Adele Valley Enterprises Limited a debenture which will mature in the event the Company defaults under the indemnity agreement. The debenture will be in the principal amount of \$400,000 and will bear interest at 8 per cent (%) per annum after default only. The debenture will be secured by a first floating charge debenture on its undertaking property and assets and a second pledge of the 3,770 common shares of Designed Precision Castings Limited being purchased from Roger Obata.

It is intended that at the earliest opportunity two persons named by St. Adele Valley Enterprises Limited will be elected to the Board of Directors of the Company for as long as their guarantee is outstanding.

Concurrently with the foregoing transactions the Great West Saddlery Company Limited has agreed to sell to St. Adele Valley Enterprises Limited 25,000 shares of National Hees Industries Limited common stock for \$3.00 a share. Out of the funds received from this sale Great West Saddlery Company Limited intends to repay all indebtedness of itself and its other subsidiaries to the Company.

SCHEDULE "B"

<u>Name</u>	<u>Common Shares Held</u>
The Great West Saddlery Co. Ltd. 628 King Street West, Toronto 2b, Ontario.	36,911 2/3 beneficially owned.
S. J. Brooks & Co., 185 Bay Street, Toronto, Ontario.	30,025 (A substantial block of these shares are owned by the Great West Saddlery Company Ltd. as reported above. Beneficial owners of the balance are unknown)
R. Watson Revie, Box 1111, Cornwall, Ontario.	4,400
Bache & Co. Inc., 360 Bay Street, Toronto, Ontario.	3,300 (Beneficial owners are unknown)
Harry B. Monk, 294 Portage Avenue, Winnipeg, Manitoba.	3,017
Torbay & Co., 55 King Street West, Toronto, Ontario.	2,333 (Beneficial owners are unknown)

<u>Name</u>	<u>First Preferred Shares 1963 Series Held</u>
The Great West Saddlery Co. Ltd. 628 King Street West, Toronto 2b, Ontario.	5,912 1/2 beneficially owned
Crown Trust Co., 302 Bay Street, Toronto, Ontario.	3,540 (Beneficial owners are unknown)
S. J. Brooks & Co., 185 Bay Street, Toronto, Ontario.	3,024 (Beneficial owners are unknown)
John C. L. Allen Ltd., 112 King Street West, Toronto, Ontario.	1,205 (Beneficial owners are unknown)
Vanderill Inc., 318 Stanstead Ave., Town of Mount Royal, P. Q.	1,000
Davidson & Co., 25 Adelaide St. West, Toronto, Ontario.	860 (Beneficial owners are unknown)

<u>Name</u>	<u>Second Preferred Shares 1963 Series Held</u>
The Great West Saddlery Co. Ltd. 628 King Street West, Toronto 2b, Ont.	150,000

FINANCIAL STATEMENTS

NATIONAL HEES INDUSTRIES LIMITED

and Subsidiary Company

CONSOLIDATED BALANCE SHEET AS AT 30th JUNE 1967

ASSETS

CURRENT

Cash on Hand and in Bank
Accounts Receivable
Inventories - at lower of cost and net
realizable value
Prepaid Expenses and Deposits
Due from Affiliate
Due from Parent
Income Taxes Recoverable

FIXED

Land, Buildings, Machinery and Equipment
and Leasehold Improvements (Note #4)
Less: Accumulated Depreciation (Note #5)

OTHER - at cost

Re-organization Expenses
Trademarks
Goodwill on Consolidation

1967

1966

\$ 22,380
56,626
26,101
4,974
6,501
41,468
5,352

\$ 172
69,442
24,495
3,910
1,950
38,781
-

\$143,402

\$138,750

\$239,619
14,019

\$172,843
82,867

\$245,600

\$ 89,976

\$ 40,011
4,714
-

\$ 40,011
4,714
121,776

\$ 44,725

\$166,501

\$433,727

\$395,227

LIABILITIES

CURRENT

Bank-Loan (Note #6)
Accounts Payable and Accrued Charges
Withheld Taxes
Long-Term Payments due within one year
Debenture (Note #8)

1967

1966

\$ 5,000
19,297
3,610
24,100
35,000
\$ 87,007

\$ 14,078
24,679
5,808
20,000
50,000
\$114,565

LONG-TERM LIABILITIES

First Mortgage - 7½% due May 1971, payable \$5,000
quarterly plus interest less
current portion
Notes Payable - due 15th August 1968
Loan - Equipment, less current portion

\$ 60,000
71,198
8,774

\$ 80,000
77,605
-

\$139,972

\$157,605

SHAREHOLDERS' EQUITY, per statements attached

Capital Stock
Deficit

\$989,715
782,967

\$989,715
866,658

\$206,748

\$123,057

\$433,727

\$395,227

Approved on behalf of the Board of Directors.

John A. ...
Director

P. J. Taylor
Director

The attached notes form an integral part of the
financial statements.

This is the Consolidated Balance Sheet referred to in our report of this date.

TORONTO, Ontario,
22nd September 1967.

Ernst & Young
CHARTERED ACCOUNTANTS.

NATIONAL HEES INDUSTRIES LIMITED
and Subsidiary Company

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 30th JUNE 1967

1. An option to purchase 10,000 Common shares at \$3.00 per share was granted to each of Messrs. A. T. Holland and D. R. Cleveland. This option may be exercised to 29th February 1968.
2. The cumulative dividends on First Preferred shares 1963 series in the aggregate amount of \$113,644 have not been paid.
3. Sales for the year were \$408,019.
4. Fixed Assets of E.G.M. Machine Products Limited at date of acquisition, 31st May 1966, have been valued as follows:
 - (a) Land and Buildings, \$65,000, at market values submitted in a letter of opinion by Magnus T. Paulson Realty Limited, dated 16th May 1966.
 - (b) Machinery and Equipment, \$117,095, at appraisal values as determined by Engineering Metallic Products Company dated 20th June 1966, less disposals to date.
 - (c) Additions since date of acquisition at cost.
 - (d) Other Plant and Equipment, \$44,261, at appraisal values by Engineering Metallic Products Company dated 10th December 1964, less disposals.

The goodwill on consolidation was attributable to the excess of appraisal value of fixed assets over their book value and during the year was allocated to them and incorporated in their carrying value.

5. Depreciation has been accumulated from 31st May 1966 at rates sufficient to depreciate the fixed assets over their anticipated life expectancy.
6. The bank loan is secured by a general assignment of book debts.
7. Second Mortgage and Chattel Mortgage held by the parent company on the real property and equipment of E.G.M. Machine Products Limited have been assigned to the vendors of subsidiary company, as collateral security against any liability which may arise from acts by the National Hees Group subsequent to the date of sale.
8. Debenture in the amount of \$35,000 is payable sixty days after demand; interest at 1% per month is payable monthly. Debenture is secured by a floating charge on the assets of National Hees Industries Limited which includes a specific pledge of 2,000 Common shares of subsidiary company, E.G.M. Machine Products Limited.
9. Estimated income taxes of \$27,210, otherwise payable by the parent company, have been eliminated by the application of losses carried forward. For income tax purposes, the subsidiary company has claimed maximum capital cost allowances which are in excess of the depreciation recorded in the accounts giving rise to a tax recovery of \$4,387.
10. The Company has entered into a lease expiring 1972 with rental payable of \$6,000 per annum.

NATIONAL HEES INDUSTRIES LIMITED
and Subsidiary Company

CONSOLIDATED STATEMENT OF CAPITAL STOCK
FOR YEAR ENDED 30th JUNE 1967

AUTHORIZED

300,000 First Preferred Shares of Par Value \$10 each, issuable in series, of which 150,000 shares designated as 6% Cumulative, Redeemable, Convertible Sinking Fund First Preferred Shares, 1963 Series	\$3,000,000
300,000 6%, Non-cumulative, Convertible Second Preferred Shares of Par Value \$1 each	<u>300,000</u>
	<u>\$3,300,000</u>
1,000,000 Common Shares without Nominal or Par Value - aggregate consideration not to exceed <u>\$2,500,000.</u>	

ISSUED AND FULLY PAID

First Preferred Shares - 1963 Series -	
63,675 Shares, 1st July 1966	\$636,750
539.5 Shares converted to Common Shares during year	<u>5,395</u>
<u>63,135.5</u>	<u>\$631,355</u>
Second Preferred Shares -	
150,000 Shares, 1st July 1966 unchanged	<u>\$150,000</u>
Common Shares -	
73,560 Shares, 1st July 1966	\$202,965
1,079 Shares issued on conversion of First Preferred Shares, 1963 Series, during year	<u>5,395</u>
<u>74,639</u>	<u>\$208,360</u>
	<u>\$989,715</u>

NATIONAL HEES INDUSTRIES LIMITED
and Subsidiary Company

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND DEFICIT
FOR YEAR ENDED 30th JUNE 1967

	<u>1967</u>	<u>1966</u>
<u>PROFIT FROM OPERATIONS</u> , before taking into account the undernoted items	\$168,673	\$ 20,743
Executive Remuneration (including services as Directors)	\$57,491	\$15,100
Legal Fees	1,000	1,414
Interest on Long-term Debt	7,460	1,125
Bank and Other Interest	5,840	129
Depreciation	<u>12,581</u> <u>84,372</u>	<u>1,463</u> <u>19,231</u>
<u>PROFIT ON OPERATIONS</u>	\$ 84,301	\$ 1,512
<u>OTHER INCOME</u>		
Dividends	\$ -	\$ -
Discount on Notes redeemed	<u>3,131</u> <u>3,131</u>	<u>2,035</u> <u>2,232</u>
	\$ 87,432	\$ 3,744
<u>NON-RECURRING ITEMS</u>		
Moving Expense	\$ 6,128	\$ -
Loss on Burglary	2,000	-
Adjustment to prior year's Income Taxes	<u>(4,387)</u> <u>3,741</u>	<u>-</u> <u>-</u>
<u>NET PROFIT FOR YEAR</u>	\$ 83,691	\$ 3,744
Deficit - balance 1st July 1966	<u>866,658</u>	<u>934,071</u>
	\$782,967	\$930,327
Non-recurring Gains -		
Transfer from Appraisal Surplus	\$ -	\$44,781
Adjustment to Income of prior years	<u>-</u> <u>-</u>	<u>18,888</u> <u>63,669</u>
<u>DEFICIT - balance 30th June 1967</u>	<u>\$782,967</u>	<u>\$866,658</u>

NATIONAL HEES INDUSTRIES LIMITED
and Subsidiary Company

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR YEAR ENDED 30th JUNE 1967

<u>FUNDS PROVIDED</u>		
Net Profit for Year	\$83,691	
Add: Expense not requiring outlay of funds -		
Depreciation	<u>12,581</u>	\$ 96,272
Loan - Equipment, less current portion		8,774
Sale of Fixed Assets		<u>994</u>
		\$106,040
 <u>FUNDS APPLIED</u>		
Purchase of Fixed Assets	\$35,423	
Repayment of First Mortgage	20,000	
Redemption of Notes Payable	6,407	
Additional Cost of Purchase of Shares in E.G.M. Machine Products Limited	<u>12,000</u>	<u>73,830</u>
 <u>INCREASE IN WORKING CAPITAL</u>		 \$ 32,210
 <u>WORKING CAPITAL, beginning of year</u>		 <u>24,185</u>
 <u>WORKING CAPITAL, end of year</u>		 <u>\$ 56,395</u>

DUNWOODY & COMPANY

Internationally

LASSER, HARMOOD-BANNER & DUNWOODY

Chartered Accountants / 25 Adelaide Street West Toronto 1, Ontario, Canada Telephone 362 2351

22nd September 1967

To the Shareholders of
NATIONAL HEES INDUSTRIES LIMITED.

We have examined the Consolidated Balance Sheet of NATIONAL HEES INDUSTRIES LIMITED as at 30th June 1967 and the Consolidated Statements of Capital Stock and Profit and Loss and Deficit for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the Companies as at 30th June 1967 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except as outlined in Notes 4 and 5.

Our examination also included the accompanying Consolidated Statement of Source and Application of Funds which, in our opinion, when considered in relation to the aforementioned financial statements, presents fairly the sources and applications of funds of the Companies for the year ended 30th June 1967.

Dunwoody & Company
CHARTERED ACCOUNTANTS.

NATIONAL HEES INDUSTRIES LIMITED
and Subsidiary Company
CONSOLIDATED BALANCE SHEET AS AT 30TH SEPTEMBER, 1967

ASSETS		LIABILITIES	
CURRENT		CURRENT	
Cash on Hand and in Bank	\$ 30	Bank Overdraft	\$ 3,381
Accounts Receivable	46,085	Bank Loan (Note #6)	10,000
Inventories -estimated - at lower of cost and net realizable value	31,000	Accounts Payable and accrued charges	17,543
Prepaid Expenses and Deposits	13,295	Withheld Taxes	3,234
Due from Affiliate	6,501	Long-Term Payments due within one year	25,000
Due from Parent	43,452	Debenture (Note #8)	35,000
Income Taxes Recoverable	5,352	Notes payable due 15th August, 1968	71,170
	<u>\$ 145,715</u>		<u>\$ 165,328</u>
FIXED		LONG-TERM LIABILITIES	
Land Buildings, Machinery and Equipment and Leasehold Improvements-(Note #4)	\$ 275,533	First Mortgage - 7 1/2% due May, 1971, payable \$5,000 quarterly plus interest less current portion	\$ 55,000
Less: Accumulated Depreciation (Note #5)	17,994	Loan - Equipment less current portion	12,195
	<u>\$ 257,539</u>		<u>\$ 67,195</u>
OTHER - at cost		SHAREHOLDERS' EQUITY, per statements attached	
Re-organization Expenses	\$ 40,011	Capital Stock	\$ 989,715
Trademarks	4,714	Deficit	774,259
	<u>\$ 44,725</u>		<u>\$ 215,456</u>
	\$ 447,979		<u>\$ 447,979</u>

The attached notes form an integral part of the financial statement.

NATIONAL HEES INDUSTRIES LIMITED
and Subsidiary Company

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 30TH SEPTEMBER, 1967

1. An option to purchase 10,000 Common Shares at \$3.00 per share was granted to each of Messrs. A. T. Holland and D. R. Cleveland. This option may be exercised to 29th February, 1968.
2. The cumulative dividends on First Preferred shares 1963 series in the aggregate amount of \$132,532 have not been paid.
3. Sales for the period were \$86,547.
4. Fixed Assets of E. G. M. Machine Products Limited at date of acquisition, 31st May, 1966, have been valued as follows:
 - (a) Land and Buildings, \$65,000, at market values submitted in a letter of opinion by Magnus T. Paulson Realty Limited, dated 16th May, 1966.
 - (b) Machinery and Equipment, \$117,095, at appraisal values as determined by Engineering Metallic Products Company dated 20th June, 1966, less disposals to date.
 - (c) Additions since date of acquisition at cost.
 - (d) Other Plant and Equipment, \$44,261, at appraisal values by Engineering Metallic Products Company dated 10th December, 1964 less disposals.
5. Depreciation has been accumulated from 31st May, 1966 at rates sufficient to depreciate the fixed assets over their anticipated life expectancy.
6. \$5,000 of bank loan is secured by a general assignment of book debts.
7. Second Mortgage and Chattel Mortgage held by the parent company on the real property and equipment of E. G. M. Machine Products Limited have been assigned to the vendors of subsidiary company, as collateral security against any liability which may arise from acts by the National Hees Group subsequent to the date of sale.
8. Debenture in the amount of \$35,000 is payable sixty days after demand; interest at 1% per month is payable monthly. Debenture is secured by a floating charge on the assets of National Hees Industries Limited which includes a specific pledge of 2,000 Common shares of subsidiary company, E. G. M. Machine Products Limited.
9. Estimated income taxes of \$2,000, otherwise payable by the parent company have been eliminated by the application of losses carried forward.
10. The Company has entered into a lease expiring 1972 with rental payable of \$6,000 per annum.

NATIONAL HEES INDUSTRIES LIMITED
and Subsidiary Company

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND DEFICIT
FOR THE THREE MONTHS ENDED 30TH SEPTEMBER, 1967

	\$	\$
PROFIT FROM OPERATIONS, before taking into account the undernoted items		31,556
Executive Remuneration (including services as Directors)	15,600	
Legal Fees	315	
Interest on Long-term Debt	1,820	
Bank and Other Interest	1,150	
Depreciation	<u>3,975</u>	22,860
		<hr/>
PROFIT ON OPERATIONS		\$ 8,696
OTHER INCOME		
Discount on Notes redeemed		12
		<hr/>
NET PROFIT FOR PERIOD		8,708
Deficit - balance 1st July, 1967		782,967
		<hr/>
DEFICIT - balance 30th September, 1967		\$774,259

NATIONAL HEES INDUSTRIES LIMITED
and Subsidiary Company

CONSOLIDATED STATEMENT OF CAPITAL STOCK
FOR THE THREE MONTHS ENDED 30TH SEPTEMBER, 1967

AUTHORIZED

300,000	First Preferred Shares of Par Value \$10 each, issuable in series, of which 150,000 shares designated as 6% Cumulative, Redeemable, Convertible Sinking Fund First Preferred Shares, 1963 Series	\$3,000,000
300,000	6% Non-cumulative, Convertible Second Preferred Shares of Par Value \$1 each	300,000
		<hr/>
		\$3,300,000
		<hr/>
1,000,000	Common Shares without nominal or Par Value- aggregate consideration not to exceed \$2,500,000	

ISSUED AND FULLY PAID

First Preferred Shares - 1963 Series		
63,135.5 Shares, 1st July, 1967	\$	631,355
25 Shares converted to Common Shares during period		250
<hr/>		<hr/>
63,110.5	\$	631,105
<hr/>		<hr/>
Second Preferred Shares -		
150,000 Shares, 1st July, 1967 unchanged	\$	150,000
Common Shares -		
74,639 Shares, 1st July, 1967	\$	208,360
50 Shares issued on conversion of First Preferred Shares, 1963 Series, during period		250
<hr/>		<hr/>
74,689	\$	208,610
<hr/>		<hr/>
	\$	989,715
		<hr/>
		<hr/>

NATIONAL HEES INDUSTRIES LIMITED
and Subsidiary Company

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION
OF FUNDS
FOR THE THREE MONTHS ENDED 30TH SEPTEMBER,
1967

	\$	\$
FUNDS PROVIDED		
Net Profit for Period	8,708	
Add: Expense not requiring outlay of funds -		
Depreciation	<u>3,975</u>	12,683
Loan - Equipment, less current portion		3,421
		<hr/>
		16,104
FUNDS APPLIED		
Purchase of Fixed Assets	15,914	
Repayment of First Mortgage	5,000	
Notes Payable due within one year	<u>71,198</u>	92,112
		<hr/>
DECREASE IN WORKING CAPITAL		76,008
WORKING CAPITAL, beginning of period		<u>56,395</u>
WORKING CAPITAL, deficit at end of period		\$ 19,613
		<hr/>
		<hr/>

Designed Precision Castings Limited

Balance Sheet as at July 31st, 1967
(Unaudited)

ASSETS

CURRENT ASSETS	\$	\$
Bank and Trust Accounts	150,515	
Investments	11,302	
Accounts Receivable (Reserve for bad debts \$3,893)	130,866	
Inventories	66,058	
Refundable Taxes	<u>2,015</u>	360,756
FIXED ASSETS - Note*		
Land and Buildings	303,450	
Machinery and Equipment	118,969	
Transportation Equipment	<u>18,899</u>	441,318
		<u>\$ 802,074</u>

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	72,423	
Accrued Liabilities (including provision for management salary)	14,739	
Employees Deductions	5,824	
Loans Payable - Shareholders and others	27,294	
Income Taxes Payable	47,029	
Provision for Taxes	<u>65,000</u>	232,309

SHAREHOLDERS EQUITY

Capital - Preferred	22,500	
Common	4,970	
Earned Surplus	327,494	
Appraisal Surplus	<u>214,801</u>	569,765
		<u>\$ 802,074</u>

Note*: Real Estate valued at current appraisal; machinery and equipment at appraisal less depreciation; transportation equipment at net book value.

Designed Precision Castings Limited,

Comparative Statement of Profit and Loss for the

10 months ending 31st July, 1966 and 1967

	1967	1966
	\$	\$
Sales	629,195	508,919
Cost of Sales (including depreciation \$9,803)	<u>413,784</u>	<u>341,949</u>
Gross Profit on Operations	215,411	166,970
Less:		
Selling, Administrative and Financial Expenses	<u>58,043</u>	<u>30,005</u>
Profit before Income Taxes	157,368	136,965
Less:		
Provision for Taxes	<u>65,000</u>	<u>58,000</u>
Net Profit for period	<u>\$ 92,368</u>	<u>\$ 78,965</u>

NATIONAL HEES INDUSTRIES LIMITED AND SUBSIDIARY COMPANY, E.G.M.MACHINE PRODUCTS LIMITED

PRO FORMA BALANCE SHEET AS AT NOVEMBER 7th, 1967 GIVING EFFECT TO:

1. (a) Acquisition of all the common Shares of Designed Precision Castings Limited for \$950,000
(b) Issue of 20,000 Common Shares at an assigned value of \$5 each
(c) Payment to Vendor of \$600,000
(d) Issuance to Vendor of Notes Payable for \$250,000

2. Receipt of loan from Bank of Montreal of \$600,000
3. Sale of Machinery to Designed Precision Castings Limited
4. Receipt of Loans Receivable from Parent and Associated Companies
5. Repayment and discharge of \$35,000 Debenture
6. Payment of \$25,000 Financing Expense

ASSETS

CURRENT	\$
Cash on Hand and in Bank	221,250
Accounts Receivable	45,762
Inventories-at lower of cost or net realizable value	34,200
Prepaid Expenses and Deposits	33,899
Income Taxes Recoverable	5,296
	<u>340,407</u>

INVESTMENT IN DESIGNED PRECISION CASTINGS LIMITED

950,000

FIXED ASSETS (Net)

Land and Buildings less: Accumulated Depreciation

68,397

OTHER - at cost

Re-organization Expenses
Trademarks

40,011
4,714
44,725

\$1,403,529

LIABILITIES

CURRENT	\$
Bank Loan	202,500
Accounts Payable and Accrued Charges	46,246
Withheld Taxes	2,712
Due to Parent Company	20,490
	<u>271,948</u>

LONG-TERM LIABILITIES

First Mortgage-7 1/2% due May, 1971, payable \$5,000 quarterly plus interest

75,000

Bank Loan due in equal annual installments of \$200,000 in November, 1968 and November, 1969

400,000

Notes Payable due 15th August, 1968

71,170

Notes Payable-6% due serially \$50,000 each year from November 1968 to November, 1972

250,000

Equipment Loan

16,889

813,059

SHAREHOLDERS' EQUITY

Capital Stock
Deficit

1,089,715
(771,193)
318,522

\$1,403,529

Note to Balance Sheet:

Second Mortgage held by the Parent Company on certain assets of the consolidated subsidiary has been assigned as security for a contingent liability.

9. Brief statement of company's future development plans, including proposed expenditure of proceeds of sale of treasury shares, if any.	The newly acquired Designed Precision Castings Limited will be integrated with the Company's existing facilities to provide a fully integrated service in the field of precision metal forming.
10. Brief statement of company's chief development work during past year.	During the past year the Company has expanded its precision machining business and has searched for expansion opportunities in the metal forming field.
11. Names and addresses of vendors of any property or other assets intended to be purchased by the company showing the consideration to be paid.	Roger Obata, 63 Twyford Road, Islington, Ontario vendor of all the common shares of Designed Precision Castings Limited for \$950,000.
12. Names and addresses of persons who have received or will receive a greater than 5% interest in the shares or other consideration to be received by the vendor. If the vendor is a limited company, the names and addresses of persons having a greater than 5% interest in the vendor company.	Roger Obata, 63 Twyford Road, Islington, Ontario.
13. Number of shares held in escrow or in pool and a brief statement of the terms of escrow or the pooling agreement.	NONE
14. Names and addresses of owners of more than a 5% interest in escrowed shares and their shareholdings (If shares are registered in the names of nominees or in street names, give names of beneficial owners, if possible.)	N/A
15. Names, addresses and shareholdings of five largest registered shareholders and if shareholdings are pooled or escrowed, so stating. If shares are registered in names of nominees or in street names, give names of beneficial owners, if possible, and if names are not those of beneficial owners, so state.	See Schedule "B" on page 4.
16. Names, and addresses of persons whose shareholdings are large enough to materially affect control of the company.	Great West Saddlery Company Limited, 628 King Street West, Toronto 2b, Ontario.
17. If assets include investments in the shares or other securities of other companies, give an itemized statement thereof showing cost or book value and present market value.	E. G. M. Machine Products Limited, a wholly owned subsidiary carried at a cost of \$255,500.
18. Brief statement of any lawsuits pending or in process against company or its properties.	N/A
19. The dates of and parties to and the general nature of every material contract entered into by the company which is still in effect and is not disclosed in the foregoing.	NONE
20. Statement of any other material facts and if none, so state. Also state whether any shares of the company are in the course of primary distribution to the public.	There are no material facts not disclosed in the foregoing and no shares of the Company are in the course of primary distribution to the public.

CERTIFICATE OF THE COMPANY

DATED October 10th, 1967

The foregoing, together with the financial information and other reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above and in respect of the company's affairs and there is no further material information applicable. (To be signed by two principal signing officers who are directors and the corporate seal to be affixed.)

"A.T. Holland"

CORPORATE
SEAL

"P.F. Boylen"

CERTIFICATE OF UNDERWRITER OR OPTIONEE

To the best of my knowledge, information and belief, the foregoing, together with the financial information and the reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above in respect of the company's affairs. Concerning matters which are not within my knowledge, I have relied upon the accuracy and adequacy of the information supplied to me by the company. (To be signed by underwriter or optionee registered with the Ontario Securities Commission or a corresponding body.)

THE TORONTO STOCK EXCHANGE

3/10/68

FILING STATEMENT NO. 1647.
FILED, OCTOBER 23rd, 1968.

file

NATIONAL UFEES INDUSTRIES LIMITED

Full corporate name of Company

Incorporated under Part I of the Companies Act (Canada), 1952
by Letters Patent dated June 30th, 1954.

Particulars of incorporation (e.g., Incorporated under Part IV of the Corporations Act, 1953
(Ontario) by Letters Patent dated May 1st, 1957).

FILING STATEMENT

Reference is made to previous
Filing Statement No. 1580.

(To be filed with respect to any material change in a company's affairs, including among other things,
an underwriting and option agreement, an issue of shares for property and a proposed re-organization.)

1. Brief statement of the material
change in the affairs of the company
in respect of which this statement is
filed.

1. (a) The sale by The Great West Saddlery Company Limited to E. S. MacLaine, J. L. H. O'Brien, E. Schwartz, J. H. Yates, J. A. Madill, E. W. Timmouth, D. Hudon and Estate of M. H. Blakely of 150,000 6% Second Preferred Shares and 62,186 Common Shares of the Company, representing effective control of the Company; and
(b) The sale of the said control position by the said purchasers to Edper Investments Ltd; Further particulars in respect of these transactions are set out below:

(a) The Great West Saddlery Company Limited ("Great West"), the controlling shareholder of the Company, entered into an oral agreement on or about May 16, 1968 which was formally reduced to writing and executed on June 10, 1968 under which Great West agreed to purchase all the issued and outstanding shares of Aquila Computer Services Limited ("Aquila") from Edward S. MacLaine, John L. H. O'Brien, Barry Schwartz, James H. Yates, J. A. Madill, E. W. Timmouth, D. Hudon and M. H. Blakely (who died before closing of the transaction) (collectively the "Aquila shareholders") for a consideration consisting in part of 150,000 6% Second Preferred Shares and 62,186 common shares of the Company owned by Great West and representing its control position in the Company.

(b) Under a further agreement dated June 10, 1968 Edper Investments Ltd. ("Edper"), Great West's major shareholder, agreed to purchase from the Aquila shareholders, immediately after the completion of purchase of the Aquila shares, the said 150,000 6% Second Preferred Shares and 62,186 common shares of the Company for a consideration of 300,000 common shares of Great West held by Edper.

The transactions referred to at (a) and (b) above were unanimously approved by the shareholders of Great West, exclusive of insiders of Great West within the meaning of The Securities Act, 1966 including Edper, at a Special General Meeting of Shareholders held on September 3, 1968 and the transactions were substantially completed the following day and finally concluded on September 10, 1968.

2. Head office address and any other
office address.

628 King Street West, Toronto 2B, Ontario.

3. Names, addresses and chief occupa-
tions for the past five years of
present or proposed officers and
directors.

See Schedule "A" on page 3.

4. Share capitalization showing author-
ized and issued and outstanding
capital.

Authorized Capital:

300,000 First Preferred Shares of the par value of \$10.00 each, issuable in series, of which 150,000 of the said First Preferred Shares are designated First Preferred Shares 1963 series; 300,000 Second Preferred Shares of the par value of \$1.00 each and 1,000,000 Common Shares without nominal or par value

Outstanding Capital:

At June 30, 1968*

At September 30, 1968**

First Preferred Shares

1963 Series	43,143.5	40,483.5
Second Preferred Shares	150,000	150,000
Common Shares	156,994.05	161,702.25

*At July 1, 1967 there were outstanding 63,135.5 First Preferred Shares, 1963 Series, and 74,639 common shares. During the fiscal year ended June 30, 1968 19,992 First Preferred Shares, 1963 Series were converted into 42,355.05 common shares.

**During the period from July 1, 1968 to September 30, 1968 2,660 First Preferred Shares, 1963 Series, were converted into 4,708.2 common shares.

5. Particulars in respect of any bonds, debentures, notes, mortgages, charges, liens or hypothecations outstanding.	<p>As disclosed in the Company's last Filing Statement dated October 10, 1967 St. Adele Valley Enterprises Limited ("St. Adele") has guaranteed the Company's \$400,000 term bank loan maturing as to \$200,000 each on the 7th days of November in the years 1968 and 1969 and the Company has indemnified St. Adele for payments it is required to make under its guarantee. This indemnity is collaterally secured by a debenture, maturing upon default under the indemnity, in the principal amount of \$400,000 bearing interest at 8% after default only, such debenture being secured by a first floating charge debenture covering the undertaking and assets of the Company and E. G. M. Machine Products Limited and a second pledge of the 3,770 common shares of Designed Precision Castings Limited ("Designed Precision") purchased from Roger Obata.</p> <p>In connection with the acquisition of Designed Precision the Company has outstanding five (5) \$50,000 notes bearing interest at 6 per cent (%) maturing serially on October 31st each year from 1968 to 1972. These notes are secured by a charge on the shares of Designed Precision Castings Limited.</p> <p>In addition and in the same connection the Company has two notes outstanding each in the amount of \$200,000 in favour of the Bank of Montreal and maturing on November 7th in the years 1968 and 1969, respectively.</p> <p>Pursuant to the Plan of Re-organization between the Company and the holders of its General Mortgage Bonds which became operative and binding on August 14, 1963, the Company was and is required, at the time such Bondholders exchanged their bonds for First Preferred Shares 1963 Series, to deliver to such Bondholders promissory notes in the amount of \$55 each for each \$500 principal amount of bonds surrendered. The said promissory notes are non-interest bearing and became due and payable on the 15th day of August, 1968 at which time the Company had outstanding promissory notes in the principal amount of \$61,407.50 and may become obligated to issue an additional \$9,762.50 principal amount of such notes. Of the said \$61,407.50 notes, the Company has, as of September 16, 1968, paid the amount of \$41,332.50 leaving the amount of \$20,075.00 yet to be satisfied.</p>
6. Details of any treasury shares or other securities now the subject of any underwriting, sale or option agreement or of any proposed underwriting, sale or option agreement.	<p>In consideration of St. Adele Valley Enterprises Limited ("St. Adele") guaranteeing the Company's \$400,000 term loan from the Bank of Montreal, maturing as to \$200,000 each on the 7th days of November in the years 1968 and 1969, the Company has granted to St. Adele an option to purchase 25,000 of the Company's common shares at \$3.00 per share, such option expiring at the later of two years from November 7, 1967 or the date upon which St. Adele's guarantee to the Bank terminates.</p>
7. Names and addresses of persons having any interest, direct or indirect in underwritten or optioned shares or other securities or assignments, present or proposed, and, if any assignment is contemplated, particulars thereof.	<p>St. Adele Valley Enterprises Limited, Suite 400, 2055 Peel Street, Montreal, Quebec.</p> <p>Messrs. A. T. Holland and D. R. Cleveland, on November 10, 1967 and November 27, 1967, respectively, each exercised their respective options to purchase 10,000 common shares of the Company at a price of \$3.00 and the shares were issued as fully paid and non-assessable on November 20, 1967 and November 30, 1967, respectively.</p>
8. Any payments in cash or securities of the company made or to be made to a promoter or finder in connection with a proposed underwriting or property acquisition.	N/A
9. Brief statement of company's future development plans, including proposed expenditure of proceeds of sale of treasury shares, if any.	<p>The Company will continue to expand its precision machining and casting business and will seek new opportunities in the precision metal forming field.</p>
10. Brief statement of company's chief development work during past year.	<p>The precision machining and casting operations of the Company have been fully integrated in one plant by the moving of E. G. M. Machine Products Limited to the Brampton plant of the recently acquired Designed Precision Castings Limited.</p>
11. Names and addresses of vendors of any property or other assets intended to be purchased by the company showing the consideration to be paid.	N/A

Schedule "A"

On December 8, 1967, E. A. DuVernet, Q.C. and Philip Flagler Boylen resigned as Directors of the Company and Nathan E. Goodman and Paul J. Lowenstein were elected Directors to fill the vacancies created.

On May 28, 1968 John Arther McCamus and Edgar Morison Holland resigned as Directors of the Company and J. Trevor Eyton and Neil W. Baker were elected Directors to fill the vacancies created.

On May 28, 1968, Alfred T. Holland, A. C. J. Humphreys and Philip Flagler Boylen resigned as Chairman of the Board, Treasurer and Secretary of the Company and Neil W. Baker, Paul J. Lowenstein and J. Trevor Eyton, respectively, were elected or appointed to hold those positions. Mr. Boylen was appointed Assistant-Secretary and Assistant-Treasurer.

The present Officers and Directors of the Company are as follows:

Alfred Theodored Holland, 93 Post Road, Don Mills, Ontario, Chartered Accountant and Management Consultant.	President and Director
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B. Hewson Breckenridge, 92 Main Street South, Georgetown, Ontario, President of Varian Associates of Canada Ltd.	Director
--	----------

Robert Douglas Watt, 65 Hurlingham Crescent, Don Mills, Ontario. Production Executive, Barber- Green Canada Ltd. to January 1, 1963; Vice President and General Manager of the Company since that date.	Vice-President, General Manager and Director
--	---

Neil W. Baker, 452 Hudson Street, Montreal West, Quebec. Executive Vice-President, Edper Investments Limited in 1968; previously a director of Morgan, Ostiguy & Hudon Inc. for more than five years.	Chairman of the Board and Director
---	---------------------------------------

J. Trevor Eyton, 30 Ridge Drive, Toronto 7, Ontario. Partner, Tory, Tory, DesLauriers & Binnington (solicitors).	Secretary and Director
---	------------------------

Paul J. Lowenstein, 4862 Jean Brillant Avenue, Montreal, Quebec. 1962-64 practiced as a chartered accountant with Messrs. Zittler, Siblir, Stein, Levine & Co.; 1964-6 Managing Director, Federal Acceptance Corp.; 1966-8 joined Edper Investments Limited - appointed Vice-President and Treasurer in 1968.	Treasurer and Director
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Philip Flagler Boylen, 59 Great Oak Drive, Islington, Ontario. Executive.	Assistant Secretary and Assistant Treasurer
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N. E. Goodman, 5724 Wentworth Avenue, Montreal 29, Quebec. Investment Counselor.	Director
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SCHEDULE "B"

<u>Name</u>	<u>First Preferred Shares 1963 Series Held</u>
Crown Trust Company, 302 Bay Street, Toronto, Ontario. Trustee for Holders of the 5½% General Mortgage Sinking Fund Bonds.	3,270
Guaranty Trust Company, 366 Bay Street, Toronto, Ontario. Trustee for Holders of the 5½% General Mortgage Sinking Fund Bonds.	850
Meck Developments Limited,	610
National Trust Company, 15 King Street West, Toronto, Ontario. Executor for the Estate of Annie Jane Ritchie.	425
Richardson Securities of Canada Limited, 120 Adelaide Street West, Toronto, Ontario.	380

<u>Name</u>	<u>Second Preferred Shares 1963 Series Held</u>
Edper Investments Limited, Suite 400, 2055 Peel Street, Montreal 2, Quebec.	150,000 (Beneficially owned)

<u>Name</u>	<u>Common Shares Held</u>
Edper Investments Limited, Suite 400, 2055 Peel Street, Montreal 2, Quebec.	62,186 (Beneficially owned)
Thomson & McKinnon, Toronto-Dominion Centre, Toronto, Ontario.	8,900 (Beneficial owners unknown)
Bache & Co. Inc., 360 Bay Street, Toronto, Ontario.	8,850 (Beneficial owners unknown)
Holland, Andrews, Perrier & Co. Ltd., 2425 Stock Exchange Tower, Montreal, Quebec.	6,937 (Beneficial owners unknown)
Greenshields Ltd., 4 Place Ville Marie, Montreal, Quebec.	5,542 (Beneficial owners unknown)

FINANCIAL STATEMENTS

NATIONAL HEES INDUSTRIES LIMITED

(Incorporated under the Canada Corporations Act)

AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 1968

(with 1967 figures for comparison)

ASSETS		LIABILITIES AND SHAREHOLDERS' EQUITY	
	1968	1968	1967
CURRENT ASSETS:			
Cash.....	\$ 6,637	\$ 2,380	\$ 5,000
Marketable securities - at market value.....	18,434	-	125,681
Accounts receivable.....	126,797	56,626	22,878
Inventories (Note 2).....	86,578	26,101	7,500
Income taxes recoverable.....	6,400	5,352	31,249
Prepaid expenses.....	6,910	4,974	-
Due from parent company.....	26,130	41,468	35,000
Due from affiliated company.....	-	6,501	24,100
Total current assets.....	277,886	143,402	87,007
PROPERTY, PLANT AND EQUIPMENT (Note 3).....			
Less accumulated depreciation.....	792,399	259,619	-
Net property, plant and equipment.....	61,248	14,019	22,500
OTHER ASSETS - at cost:			
Re-organization expenses.....	731,151	245,600	400,000
Trademarks.....	40,011	40,011	250,000
Total other assets.....	4,714	4,714	60,000
EXCESS OF PURCHASE PRICE OF SUBSIDIARY COMPANIES OVER	44,725	44,725	80,000
THE BOOK VALUE OF NET ASSETS ACQUIRED (Note 3).....	424,007	-	45,923
Approved by the Board:			
<i>P. A. McIlwain</i>Director		17,990	12,874
<i>J. E. T.</i>Director		9,500	-
		71,170	71,198
		854,583	164,072
		363,703	24,100
		490,880	139,972
SHAREHOLDERS' EQUITY:			
Capital stock (Note 5).....	1,149,715	989,715	989,715
Deficit.....	761,337	782,967	782,967
Net shareholders' equity.....	388,378	206,748	206,748
TOTAL.....	\$1,477,769	\$433,727	\$433,727

The accompanying notes are an integral part of the financial statements.

NATIONAL IRRES INDUSTRIES LIMITED

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1968

1. Principles of Consolidation

In the accompanying financial statements, the accounts of all subsidiary companies have been consolidated as at June 30, 1968 and for the year then ended, except that the operations of Designed Precision Castings Limited have been included for the nine months ended June 30, 1968 as that subsidiary was acquired effective September 30, 1967.

2. Inventories

Inventories have been valued as follows:

Raw materials - at the lower of cost or replacement cost.....	\$37,789
Work in process and finished goods - at the lower of cost or net realizable value.....	48,789
	<u>\$86,578</u>

3. Property, Plant and Equipment

Property, plant and equipment have been valued as follows:

(a) Land and buildings:

(1) \$65,000 at market values submitted in a letter of opinion by Magnus T. Paulson Realty Limited dated May 16, 1966;

(2) \$305,000 at market values established from written opinions of real estate consultants received in September 1967;

plus subsequent additions at cost.

(b) Machinery and equipment:

\$286,076 at replacement cost based on letters of appraisal by Engineering Metallic Products Company dated September 15, 1967, June 20, 1966 and December 10, 1964, plus subsequent additions at cost less disposals.

(c) Other assets at cost.

The assets referred to in (a) and (b) above were owned by subsidiary companies when they were acquired and the excess of appraised values over net book values, amounting to \$357,086, has been applied against the excess of purchase price of subsidiary companies over the book value of net assets acquired.

Subsequent to the year end, a subsidiary incurred a loss of approximately \$12,000 on the sale of land and building with a net book value of approximately \$67,000. The first mortgage payable thereon at June 30, 1968 of \$60,000 was repaid.

4. Minority Interest

Minority interest of \$22,500 is comprised of outstanding preferred shares of the subsidiary, Designed Precision Castings Limited. The company has agreed to redeem these shares at par on or before November 7, 1968.

5. Capital Stock

The authorized and issued capital stock of the company at June 30, 1968 was as undernoted:

Authorized:

300,000 first preferred shares of a par value of \$10 each, issuable in series, of which 150,000 shares designated as 6% cumulative, redeemable, convertible, sinking fund, first preferred shares, 1963 series	
300,000 6%, non-cumulative, convertible, second preferred shares of a par value of \$1 each	
1,000,000 common shares without nominal or par value	

Issued and fully paid:

First preferred shares - 1963 series:

63,135.5 shares at beginning of the year.....	\$ 631,355
19,992 shares converted into common shares during the year.....	199,920
<u>43,143.5 shares at end of the year.....</u>	<u>431,435</u>

Second preferred shares:

<u>150,000 shares at beginning and end of the year.....</u>	<u>150,000</u>
---	----------------

Common shares:

74,639 shares at beginning of the year...	208,360
42,355.05 shares issued upon conversion of first preferred shares - 1963 series during the year.....	199,920
20,000 shares issued upon purchase of subsidiary company.....	100,000
20,000 shares issued for cash during the year on options granted.....	60,000
<u>156,994.05 shares at end of the year.....</u>	<u>568,280</u>

NATIONAL HEES INDUSTRIES LIMITED

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1968

5. Capital Stock (continued)

The first preferred shares - 1963 series, and second preferred shares are redeemable at a price not to exceed 103% of the amount paid up thereon plus accrued and unpaid dividends.

At June 30, 1968, the first preferred shares - 1963 series, and second preferred shares were convertible into 1.77 common shares and 1/5 common share respectively for each of those shares held.

Cumulative dividends on the first preferred shares - 1963 series, in arrears at June 30, 1968, amounted to \$103,544. The holders of these shares are entitled to one vote per share at shareholders' meetings until the arrears have been paid.

During the year, an option was granted to the guarantor of the \$400,000 bank loan to purchase 25,000 common shares for \$3 a share. This option is exercisable at any time to November 7, 1969 or to the expiration of the guarantee, whichever is the later date. By agreement the company may not, during the period of the guarantee, declare any dividends or make any distribution to its shareholders without the consent of the guarantor.

6. Income Taxes

A subsidiary has a deferred tax liability of approximately \$10,000, due to booking less depreciation in the current fiscal year than will be claimed for tax purposes, which is not reflected in the accompanying financial statements.

The other companies have tax losses of approximately \$385,000 which are generally available for carry-forward until the years 1968 to 1970.

7. Contingent Liabilities and Pledged Assets

A second mortgage and second chattel mortgage, both in the amount of \$20,000, owned by the company and secured by a charge on the real property and equipment of the subsidiary, E.G.M. Machine Products Limited, have been assigned to the previous shareholders of that company as collateral security for any liability that they may incur as a result of acts of the company and its subsidiary companies subsequent to the date of acquisition.

An agreement to indemnify, up to a limit of \$65,000, has been given to the previous shareholders of the subsidiary, Designed Precision Castings Limited, for any liability they may incur as a result of acts of the company and its subsidiary companies subsequent to the date of acquisition.

An 8%, \$400,000 debenture has been issued as collateral security to the guarantor of the \$400,000 bank loan. The debenture is secured by a floating charge on the assets of the company and its subsidiary, E.G.M. Machine Products Limited, and a second fixed charge on the common shares of the subsidiary, Designed Precision Castings Limited, owned by the company.

The common shares of the subsidiary, Designed Precision Castings Limited, owned by the company, are pledged as security for the 6% notes payable of \$250,000.

NATIONAL HEES INDUSTRIES LIMITED

AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF INCOME AND DEFICIT

FOR THE YEAR ENDED JUNE 30, 1968

(with 1967 figures for comparison)

	<u>1968</u>	<u>1967</u>
NET SALES.....	<u>\$764,201</u>	<u>\$408,019</u>
PROFIT FROM OPERATIONS BEFORE TAKING INTO ACCOUNT THE UNDERNOTED ITEMS.....	<u>\$166,783</u>	<u>\$161,223</u>
Remuneration of directors and senior officers.....	75,191	57,491
Interest on long-term debt.....	37,807	7,460
Depreciation.....	<u>30,318</u>	<u>12,581</u>
	<u>143,316</u>	<u>77,532</u>
INCOME BEFORE INCOME TAXES.....	23,467	83,691
RECOVERY OF INCOME TAXES.....	<u>6,400</u>	<u>-</u>
NET INCOME FOR THE YEAR.....	29,867	83,691
DEFICIT AT BEGINNING OF THE YEAR.....	<u>782,967</u>	<u>866,658</u>
	753,100	782,967
ADJUSTMENT OF PRIOR YEAR'S INCOME TAXES.....	<u>8,237</u>	<u>-</u>
DEFICIT AT END OF THE YEAR.....	<u>\$761,337</u>	<u>\$782,967</u>

The accompanying notes are an integral part of the financial statements.

NATIONAL HEES INDUSTRIES LIMITED
AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED JUNE 30, 1968
(with 1967 figures for comparison)

	<u>1968</u>	<u>1967</u>
FUNDS PROVIDED:		
From operations:		
Net income for the year.....	\$ 29,867	\$ 83,691
Depreciation.....	<u>30,318</u>	<u>12,581</u>
Total funds provided from operations.....	60,185	96,272
Issue of common shares.....	<u>60,000</u>	-
Total funds provided.....	<u>120,185</u>	<u>96,272</u>
FUNDS APPLIED:		
Cost of investment in subsidiary company.....	<u>1,021,678</u>	<u>12,000</u>
Deduct:		
Working capital of subsidiary acquired.....	174,385	-
Cost financed by long-term debt.....	650,000	-
Cost financed by issue of common shares.....	<u>100,000</u>	-
	<u>924,385</u>	-
Net funds used to acquire investment in subsidiary.....	97,293	12,000
Net additions to plant and equipment other than upon acquisition of subsidiary company (less long-term financing of \$65,366 in 1968; \$14,879 in 1967).....	4,717	19,550
Increase in current portion and repayment of long-term debt.....	364,458	32,512
Adjustment of prior year's income taxes.....	<u>8,237</u>	-
Total funds applied.....	<u>474,705</u>	<u>64,062</u>
DECREASE (INCREASE) IN WORKING CAPITAL FOR THE YEAR.....	354,520	(32,210)
WORKING CAPITAL AT BEGINNING OF THE YEAR.....	<u>56,395</u>	<u>24,185</u>
WORKING CAPITAL DEFICIENCY (WORKING CAPITAL) AT END OF THE YEAR.....	<u>\$ 298,125</u>	<u>\$ (56,395)</u>

The accompanying notes are an integral part of the financial statements.

DELOITTE, PLENDER, HASKINS & SELLS

Offices throughout Canada and associated firms throughout the world Chartered Accountants
55 YONGE STREET TORONTO 1, CANADA

To the Shareholders of
National Hees Industries Limited:

We have examined the consolidated balance sheet of National Hees Industries Limited and its subsidiary companies as at June 30, 1968 and the consolidated statements of income and deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at June 30, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Deloitte, Plender, Haskins & Sells

August 29, 1968.

Auditors.

12. Names and addresses of persons who have received or will receive a greater than 5% interest in the shares or other consideration to be received by the vendor. If the vendor is a limited company, the names and addresses of persons having a greater than 5% interest in the vendor company.	N/A
13. Number of shares held in escrow or in pool and a brief statement of the terms of escrow or the pooling agreement.	N11
14. Names and addresses of owners of more than a 5% interest in escrowed shares and their shareholdings (If shares are registered in the names of nominees or in street names, give names of beneficial owners, if possible.)	N/A
15. Names, addresses and shareholdings of five largest registered shareholders and if shareholdings are pooled or escrowed, so stating. If shares are registered in names of nominees or in street names, give names of beneficial owners, if possible, and if names are not those of beneficial owners, so state.	See Schedule "B" on page 4.
16. Names, and addresses of persons whose shareholdings are large enough to materially affect control of the company.	Edper Investments Ltd., Suite 400, 2055 Peel Street, Montreal 2, Quebec. Edper Investments Ltd. is owned by a trust established by Allan Bronfman, 9 Belvedere Road, Westmount, Montreal, Quebec, for his children, Edward and Peter Bronfman.
17. If assets include investments in the shares or other securities of other companies, give an itemized statement thereof showing cost or book value and present market value.	E. G. M. Machine Products Limited, a wholly-owned subsidiary carried at a cost of \$255,500 Designed Precision Castings Limited, a wholly-owned subsidiary carried at a cost of \$1,021,678
18. Brief statement of any lawsuits pending or in process against company or its properties.	N11
19. The dates of and parties to and the general nature of every material contract entered into by the company which is still in effect and is not disclosed in the foregoing.	N11
20. Statement of any other material facts and if none, so state. Also state whether any shares of the company are in the course of primary distribution to the public.	All material facts are disclosed in the foregoing and no shares of the Company are in the course of primary distribution to the public.

CERTIFICATE OF THE COMPANY

DATED September 30, 1968.

The foregoing, together with the financial information and other reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above and in respect of the company's affairs and there is no further material information applicable. (To be signed by two principal signing officers who are directors and the corporate seal to be affixed.)

NATIONAL HEES INDUSTRIES LIMITED

"A.T. Holland"

A.T. Holland CORPORATE
Director and President. SEAL

"J.T. Eyton"

Director and Secretary

CERTIFICATE OF UNDERWRITER OR OPTIONEE

To the best of my knowledge, information and belief, the foregoing, together with the financial information and the reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above in respect of the company's affairs. Concerning matters which are not within my knowledge, I have relied upon the accuracy and adequacy of the information supplied to me by the company. (To be signed by underwriter or optionee registered with the Ontario Securities Commission or a corresponding body.)

